Mid-Year Analysis
2010-2011

Outcome of the review of the trends in receipts and expenditure
in relation to the budget at the end of the second quarter
of the financial year 2010-2011

and

Statement explaining deviations in meeting the obligations
of the Government under the Fiscal Responsibility
and Budget Management Act, 2003

(vide Section 7(1) and 7(3)(b) of the said Act)

Ministry of Finance
Department of Economic Affairs
Economic Division

MID-YEAR ANALYSIS

CONTENTS

Page No.

CHAPTER I

OVERVIEW OF THE ECONOMY

A. Introduction

The Indian economy has continued to recover robustly in 2010-11, recording one of the fastest growth rates in the world and climbing back to near pre-crisis levels. Real gross domestic product (GDP) growth in the (Q2) of the current fiscal, year-on-year was 8.9 per cent and the first quarter (Q1) GDP growth also stands revised to 8.9 per cent. Thus, growth was at 8.9 per cent in the first half of 2010-11 as against a level of growth of 7.5 per cent in the first half of last fiscal. In the first half of the current fiscal, there has been a pickup in growth on year-on-year basis in all the three sectors, namely, industry, agriculture and services. Thus, growth in the current fiscal is broad based, which portends well for a stronger than estimated economic prospect. Abundant late rainfall is ensuring a rapid recovery in agriculture, boosting supply, and will lower inflation which has finally turned downwards. Externally, both exports and imports registered strong growth, supporting economic activity. This was accompanied by record inflows of capital that were attracted by faster growth; in turn, they financed (and were well utilized) by slightly larger current account deficits (CAD). Stock markets gained (although they remained relatively volatile) and credit growth was sustained.

1.2. The Government's policy responses played a crucial role in supporting this path of sustained recovery with greater stability. The Government's policy response included a carefully balanced mix of gradual exit from fiscal stimulus measures to allow private- sector recovery more space, while not withdrawing stimulus support too abruptly; faster adjustment of monetary policies to ensure that persistent inflationary pressures abate; and enhanced public spending (and policies) directed at expanded and targeted social spending and critical infrastructure needs to ensure jobs and incomes.

B. Economic Recovery Gathered Momentum, Fiscal Policy Supporting

1.3. The CSO has released the GDP data for Q2 of the current fiscal on November 30, 2010. Growth in real GDP is placed at 8.9 per cent in Q2, which follows a revised growth rate of 8.9 per cent in Q1. Thus, real GDP growth for the first half (H1) is placed at 8.9 per cent as against a level of growth of 7.5 per cent in 2009-10 (H1). In Q2 of the current fiscal, agriculture grew by 4.4 per cent, industry grew by 8.9 per cent and services grew by 9.8 per cent. While there is a deceleration in growth in industry on quarter on quarter basis, year on year, higher growth is observed (Table 1.1)

Table -1.1 Quarterly growth in GDP

	2009-10				2010-11	
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
1 Agriculture, forestry & fishing	1.9	0.9	-1.8	0.7	2.5	4.4
Industry	**5.7**	**8.4**	**11.1**	**13.3**	**11.3**	**8.9**
2 Mining & quarrying	8.2	10.1	9.6	14.0	8.4	8.0
3 Manufacturing	3.8	8.4	13.8	16.3	13.0	9.8
4 Electricity, gas & water supply	6.4	7.7	4.7	7.1	6.2	3.4
5 Construction	8.4	8.3	8.1	8.7	10.3	8.8
Services	**7.9**	**10.5**	**7.2**	**8.4**	**9.3**	**9.8**
6 Trade, hotels, transport & communication	5.6	8.2	10.2	12.4	10.9	12.1
7 Financing, insurance, real estate & business services	11.7	11.3	7.9	7.9	7.9	8.3
8 Community, social & personal services	7.6	14.0	0.8	1.6	7.9	7.3
Total GDP at factor cost	**6.3**	**8.7**	**6.5**	**8.6**	**8.9**	**8.9**

Source: *Compiled from CSO*

1.4 On the demand side, GDP at constant market prices has grown by 10.3 per cent and 10.6 per cent, respectively in Q1 and Q2 of the current fiscal. Growth in the first two quarters is primarily driven by gross capital formation (investment) and supported by the pickup in private final consumption expenditure. Year-on-year private consumption has accelerated, which is noteworthy; however, Government consumption has moderated sharply, pulling down the rate of growth in total consumption demand. Government final consumption expenditure had grown in a lumpy manner in Q3 of 2008-09 and Q2 of 2009-10. After low growths of 2.5 and 2.1 per cent during Q3 and Q4 of 2009-10, it has grown by 9.0 per cent and 9.2 per cent, respectively in Q1 and Q2 of the current fiscal. Besides, net exports have improved with growth in Q2 exports higher than imports in Q2 (Table 1.2).

Table 1.2: Quarterly growth in GDP at Market Prices (2004-05=100)

	2009-10				2010-11	
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
1. Total final consumption expenditure	5.9	9.8	4.8	2.6	8.0	9.3
1.1 Private final consumption expenditure	4.3	6.7	5.3	2.6	7.8	9.3
1.2 Government final consumption expenditure	15.4	30.2	2.5	2.1	9.0	9.2

	2009-10 Q1	2009-10 Q2	2009-10 Q3	2009-10 Q4	2010-11 Q1	2010-11 Q2
2. Gross capital formation	3.1	4.0	8.4	17.3	18.9	11.5
2.1 Gross fixed capital formation	3.1	4.0	8.8	17.7	19.0	11.1
2.2 Changes in stocks	-0.8	3.5	8.7	11.1	15.3	12.4
2.3 Valuables	9.0	6.0	-0.8	14.3	21.3	22.2
3. Exports	-14.1	-14.9	-7.5	14.2	10.5	9.7
4. Less Imports	-9.7	-13.1	-5.8	-3.7	10.9	6.5
GDP at 2004-05 market prices	**5.6**	**6.6**	**7.3**	**11.2**	**10.3**	**10.6**

Source: *Compiled from CSO*

1.5 . Economic recovery, which became evident starting the Q2 of 2009-10, was driven less by private consumption, which has been slow to recover, and more by a strongly expansionary fiscal policy (see Chapter 2 for more details) and earlier expansionary monetary policies (see Section E of this chapter). The reasons for slower recovery of private consumption were the effects of last year's severe drought and high and persistent inflation, which eroded consumer confidence. The fiscal impetus was more central. A significant part of the fiscal expansion was reflected in growth in Government consumption expenditure (on the supply side this would mainly be reflected in community, personal, and social services). But fiscal spending was also reflected in expenditures that sustained investment generally, especially in infrastructure areas and the social sectors (see further in this chapter). The impact of the fiscal policy to revive demand is best illustrated by the divergence in the growth in real GDP (supply side- value added method) and demand side GDP (Expenditure method), the level of growth in GDP at factor cost excluding personal, community and social services and GDP at constant market prices excluding Government Final Consumption expenditure (Chart 1.1 A to D).

Chart 1.1A Growth in GDP at Factor Cost & MP at constant prices

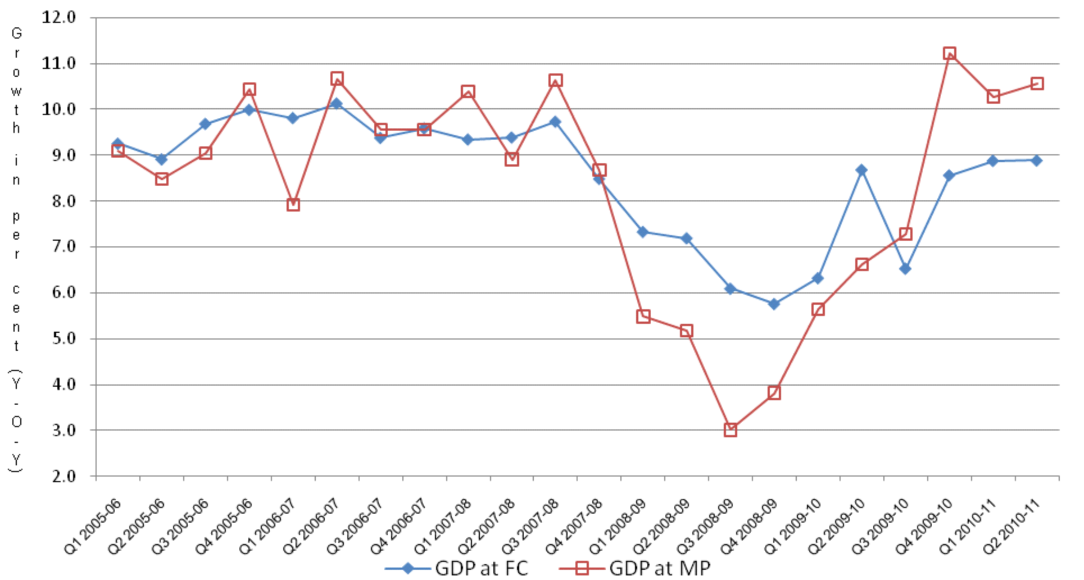


Chart 1.1B Growth in GDP_{FC} & GDP_{FC} Excluding Social & Personal services

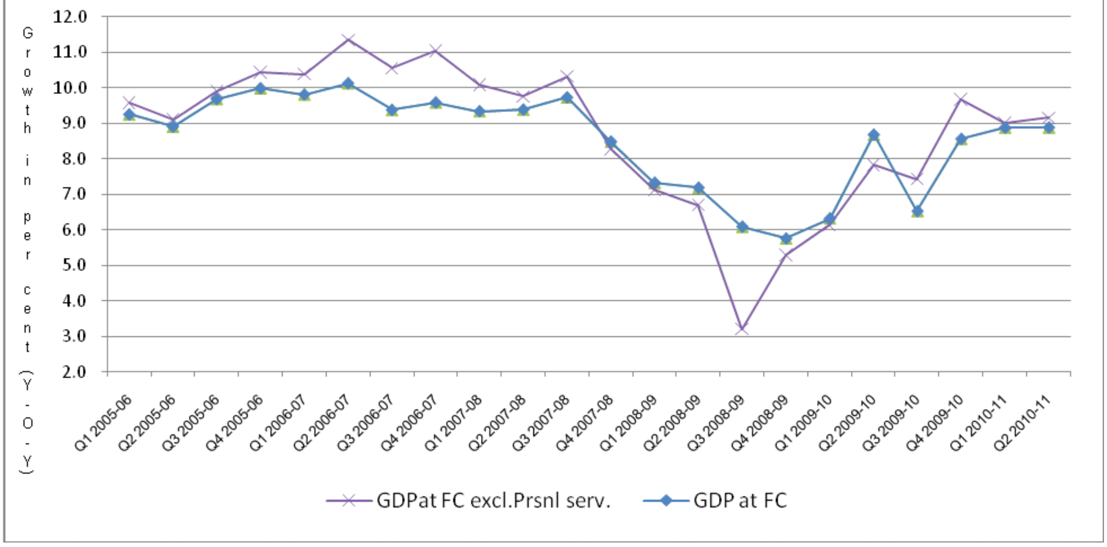
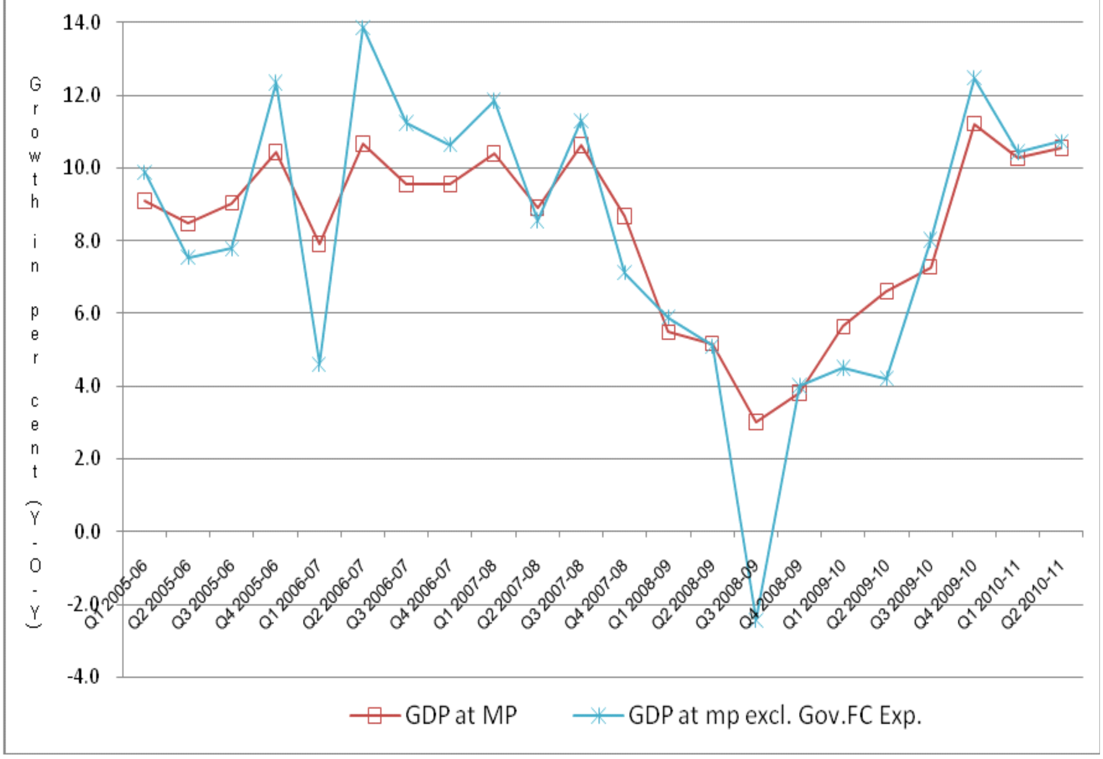
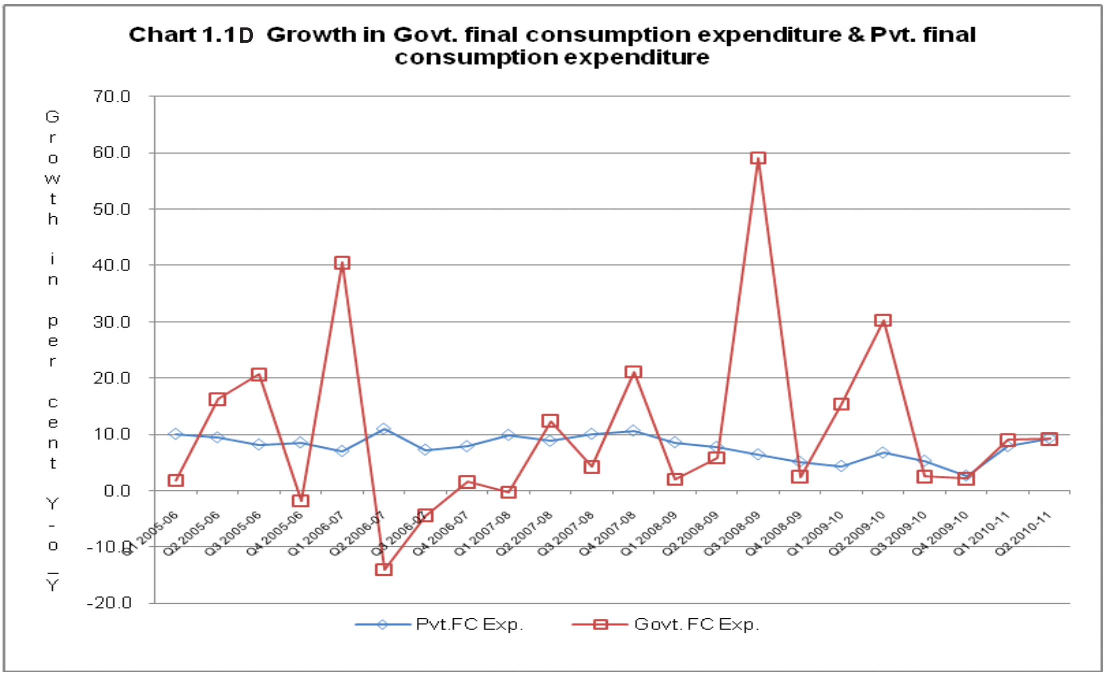


Chart 1.1C Growth in GDP_{mp} & GDP_{mp} Excluding Govt. Final Consumption Expenditure





1.6 Economic indicators, particularly that with monthly or quarterly frequencies, in the last two fiscal were affected by the mid-year break in trend caused by the impact of the twin global crisis in 2008-09 and the policy responses to counter it. In the first half of 2008-09, there was a slowdown affected by global commodity price rise with sharp rise in the levels of inflation, followed by the impact of the global financial crisis which led to sharper downturn and equally sharper correction in the price level and trade. Therefore, year-on-year growth might reflect the ripple effects of this trend; it is therefore useful to analyse the deseasonalised sequential growth momentum to indicate the likely direction of the underlying momentum of the indicators (Chart 1.2 A to D). The volatility in the year-on-year growth gets excarberated after 2008-09 ; and this leaves its imprint on the deseasonalised growth measure also. Nevertheless the direction indicated by the mometum confirms the recovery process.

1.7 Given that sectoral shares are somewhat structural and change only on longer time horizon, the level of point contribution to growth is useful in understanding the dynamics of growth in the current conjecture. With industry and services at the given levels of shares in the range of 27-29 per cent and 56-58 per cent respectively in the recent quarters, a contribution higher than the levels of shares in these sectors is required to keep up the level of growth (at 8.5 to 9 per cent) compensating for the lower contribution from agriculture (Table 1.3)

Chart 1.2A Growth in GDPfc at constant prices & Seasonally adjusted

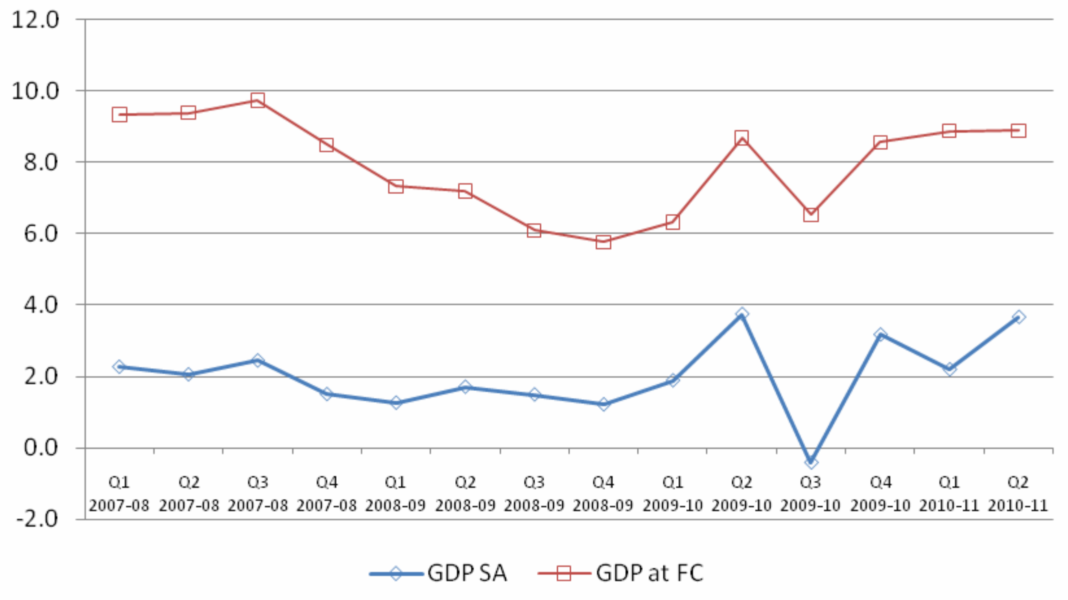
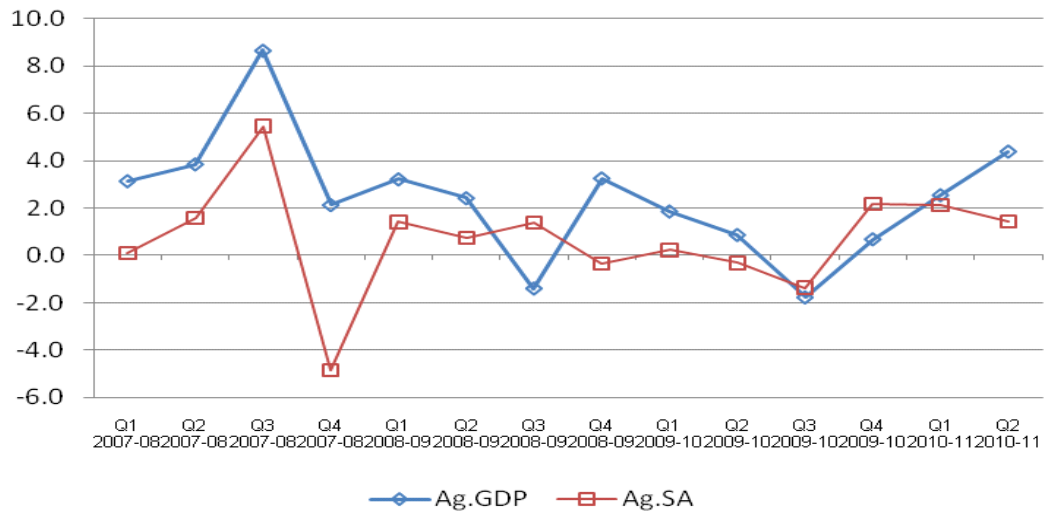


Chart 1.2B Growth in GDP Agriculture & Seasonally adjusted agriculture



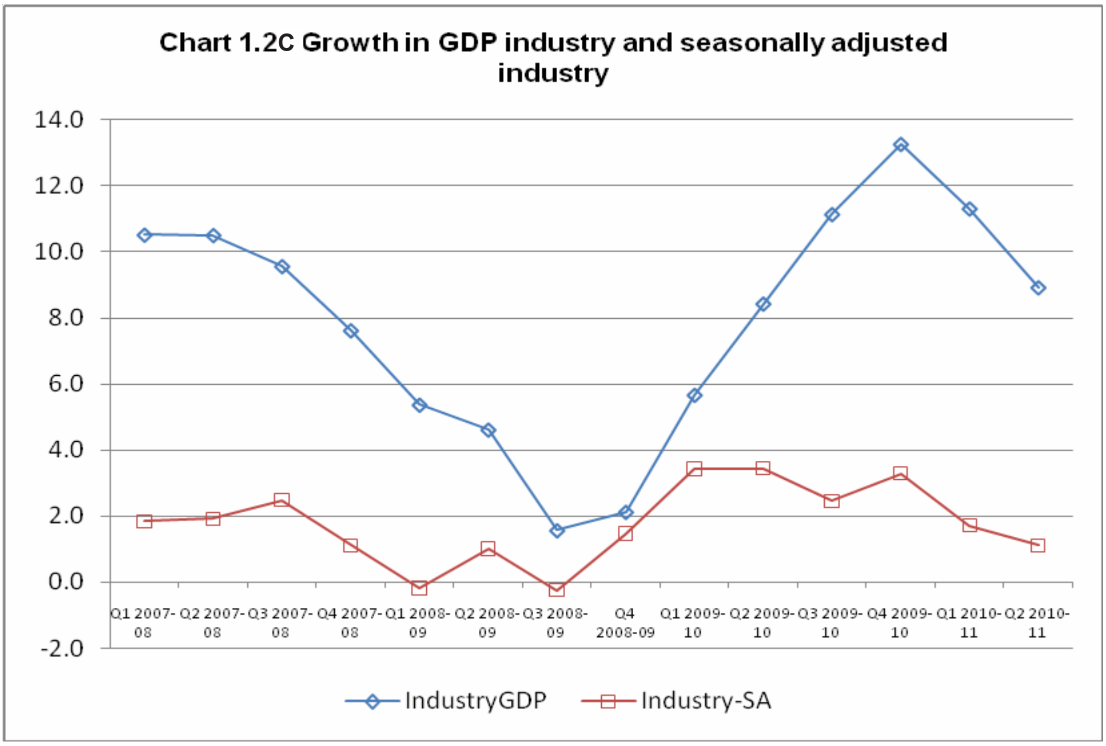


Chart 1.2C Growth in GDP industry and seasonally adjusted industry
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10
Q3 2009-10
Q4 2009-10
Q1 2010-11
Q2 2010-11
IndustryGDP
Industry-SA

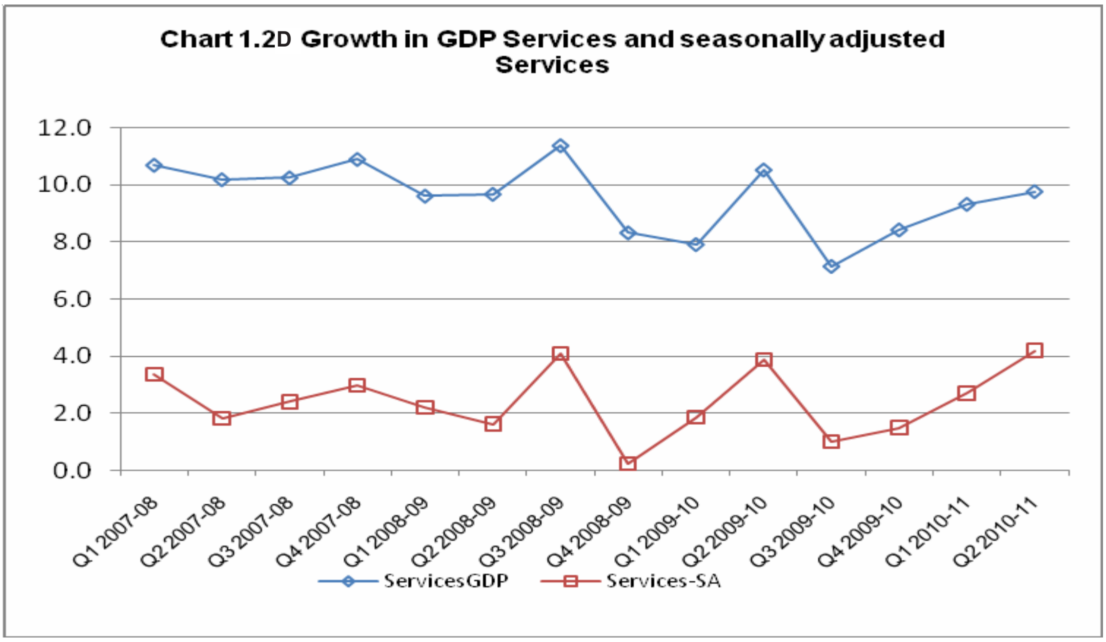


Chart 1.2D Growth in GDP Services and seasonally adjusted Services
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Q1 2007-08
Q2 2007-08
Q3 2007-08
Q4 2007-08
Q1 2008-09
Q2 2008-09
Q3 2008-09
Q4 2008-09
Q1 2009-10
Q2 2009-10
Q3 2009-10
Q4 2009-10
Q1 2010-11
Q2 2010-11
ServicesGDP
Services-SA

Table 1.3

Sectoral contribution of GDP (in per cent)

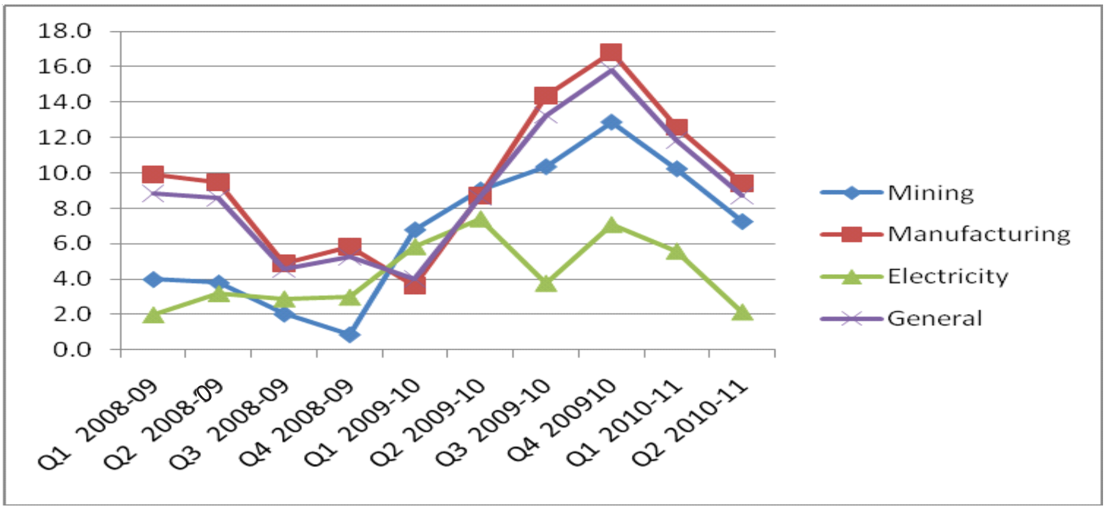
	2010-11	2008-09				2009-10					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1	**Agri, forestry & fishing**	**7.1**	**4.5**	**-4.6**	**8.9**	**4.6**	**1.3**	**-5.1**	**1.2**	**4.3**	**5.8**
2	**Industry**	**21.5**	**19.2**	**7.1**	**10.5**	**25.8**	**28.4**	**45.0**	**42.6**	**36.4**	**29.3**
a	Mining & quarrying	0.9	0.5	1.1	-0.1	3.1	2.7	3.4	4.0	2.3	2.1
b	Manufacturing	12.1	12.4	3.3	1.5	9.7	16.0	31.1	29.0	23.0	18.2
c	Electricity, gas & wtr supply	1.0	1.3	1.3	1.3	2.1	1.9	1.3	1.5	1.5	0.8
d	Construction	7.5	5.0	1.4	7.8	10.9	7.9	9.1	8.0	9.7	8.1
3	**Services**	**71.4**	**76.3**	**97.5**	**80.6**	**69.6**	**70.4**	**60.1**	**56.2**	**59.3**	**64.9**
a	Trade, hotels, transport & communication	36.1	35.8	18.2	26.1	23.3	25.5	38.8	38.0	32.3	36.5
b	Financing, insurance, real estate & bus. Services	21.0	21.3	26.1	34.0	31.7	22.8	19.5	15.7	15.9	16.7
c	Community, social & persal services	14.4	19.1	53.2	20.5	14.7	22.0	1.7	2.6	11.1	11.8

Source: *CSO*

C. Faster Industrial and Infrastructure Growth Drove Recovery

1.8. With agriculture relatively static on account of deficient monsoon in the last fiscal, economic recovery has also increasingly been driven by increased contribution from industry (see Table 1.3) and services, which continued to be absolutely the largest contributor. Industrial growth, in turn, was driven by buoyant trade and infrastructure investment spending. Industrial production, as measured by the index of industrial production (IIP), has increased by 10.2 per cent during the first half of the current financial year as compared to the 6.8 per cent achieved during the corresponding period last year (Chart 1.3). However, growth in industrial production, which peaked during the last quarter of the 2009-10, has been gradually weakening during the current financial year mainly because of slowing in the manufacturing and electricity groups. Within industry, while manufacturing continued to be the key driver, other sub-sectors have also posted robust growth. Capital goods and consumer durables groups continued to grow rapidly in the Q1 of the current fiscal. While subsequently there has been a deceleration in the capital goods sector, even with moderation, growth in consumer durables continues to be in double digits. Basic goods exhibit a similar trait and consumer non-durables are yet to show recovery. It is the intermediate goods group that has been resilient registering double-digit growth both in the first and second quarters.

Chart 1.3: IIP growth (per cent) from Q1 2008-09 to Q2 2010-11



Helped by Infrastructure Capacity Additions

1.9. **Power**: During April-October 2010-11, capacity addition of 7,020 MW has been achieved against the target of 20,359 MW for 2010-11. Target capacity addition of 8,958 MW was set for April - September 2010, out of which 24 per cent was to be added in the Central sector; 34 per cent in the State sector; and the remaining 42 per cent in the private sector. **Railways**: Total approximate earnings of Indian Railways on originating basis during 1 April - 30 September 2010 were ₹ 44,323.70 crore compared to ₹ 41,104.78 crore during the same period last year, registering an increase of 7.83 per cent. The target for loading for 2010-11 is 944.00 million tonnes. Indian Railways carried 438.20 million tonnes of revenue-earning freight traffic during April-September 2010. The freight carried shows an increase of 10.04 million tonnes over 428.16 million tonnes carried during the corresponding period last year, registering an increase of 2.34 per cent. **National highways**: Work Plans I and II have been formulated to award 12,000 km each of road under national highways during the years 2009-10 and 2010-11. The physical target under the National Highway Development Authority is to complete 2,500 km length of road during 2010-11 against which, up to September 2010, 691 km has been completed. Telecommunications growth continued apace. While more than 102 million telephones were added during the period March-September 2010, tele- density also increased from 53.46 per cent in March 2010 to 60.99 per cent in September 2010. Rural tele-density increased from 24.56 per cent in March 2010 to 28.46 per cent in September 2010 with 236.26 million rural telephone connections. **Urban development**: The Government's flagship programme Jawaharlal Nehru National Urban Renewal Mission (JNNRUM) has two key components, namely Urban Infrastructure and Governance (UIG) and the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Total initial and additional allocations for providing additional Central assistance (ACA) for a seven- year period (2005-12) are ₹ 31,500 crore under the UIG and ₹ 11,400 crore under the UIDSSMT respectively.

D. Agricultural Output Now Recovering

1.10. Agriculture is now starting to improve. The country witnessed a "normal" south- west monsoon (June-September) in 2010 after a 23 per cent deficient one in 2009. For the country as a whole, rainfall during the south-west monsoon 2010 was 102 per cent of its long period average (LPA), i.e. 912.8 mm against the LPA of 893.2 mm. It was, however, not normal as might appear from the national average since there were great regional variations with 29 per cent of districts and the north-east in particular having deficient rains.

1.11. Acreage under crops has been more or less the same; but productivity gains are expected. Last year, the kharif 2009 had started well and sowing was completed in most of the crops. Subsequently due to severe shortage in the precipitation and drought conditions, damage to crops occurred resulting in productivity losses. While the kharif area sown in the current season is higher than last year for maize, groundnut, niger seed, arhar, urad, moong, cotton, and sugarcane, the area under paddy, bajra and jowar, sunflower, and sesame is lower compared to last year on account of poor rainfall in the eastern region (Table 1.4).

Table 1.4 . Crop-wise area sown: kharif

(area in lakh ha)

Sl. No.	Crop	Area sown		Increase/ decrease over last year (+/-)	Percentage change in 2010-11 as compared to 2009-10
		2010-11	2009-10		
Major cereal crops					
1.	Paddy	369.45	374.86	-5.40	-1.44
2.	Jowar	30.07	32.10	-2.03	-6.32
3.	Bajra	86.83	89.23	-2.39	-2.68
4.	Maize	71.79	70.45	1.34	1.90
5.	Ragi	12.79	13.01	-0.22	-1.69
6.	Small millets	7.97	8.09	-0.12	-1.48
Pulses					
7.	Arhar	40.92	35.31	5.61	15.89
8.	Urad	23.13	22.85	0.28	1.23
9..	Moong	25.53	24.58	0.95	3.86
10.	Others	22.07	22.80	-0.73	-3.20
11	Foodgrains	690.54	693.25	-2.71	-0.39
Oilseeds					
12.	Groundnut	49.26	45.26	4.00	8.84
13.	Soyabean	92.07	97.93	-5.86	-5.98
14.	Sunflower	3.08	5.58	-2.50	-44.80
15.	Sesame	16.51	20.38	-3.87	-18.99
16.	Nigerseed	3.76	3.75	0.01	0.27
17.	Casterseed	8.09	8.14	-0.05	-0.61
Other crops					
18.	Cotton	110.00	103.10	6.90	6.69
19.	Sugarcane	48.55	42.02	6.53	15.54
20.	Jute	8.02	8.17	-0.15	-1.84

Source*: Department of Agriculture & Cooperation.*

1.12. However, yield gains will be large, boosting production sharply. The first advance estimates of kharif production for 2010-11 released by the Ministry of Agriculture on 23 September 2010, put production of foodgrains at 114.63 million tonnes, oilseeds at 17.27 million tonnes, sugarcane at 324.91 million tones, and cotton at 33.50 million bales of 170 kg each (Table 1.5). These higher production estimates compared to last year are primarily due to significant improvement in the productivity of almost all crops resulting from favourable weather conditions.

Table 1.5 Kharif production in 2009-10 and 2010-11

(million tonnes)

Crops	2009-10 (4th advance estimates)	2010-11 (1st advance estimates)	Absolute difference (Col. 3-2)	Percentage change in 2010-11 over 2009-10
Foodgrains	103.84	114.63	10.79	10.39
Oilseeds	15.66	17.27	1.61	10.28
Sugarcane	277.75	324.91	47.16	16.98
Cotton @	23.94	33.50	9.56	39.93

@Production in million bales of 170 kg each.

***Source**: Department of Agriculture & Cooperation.*

1.13. **More remunerative prices helping**: The Government has fixed the minimum support prices (MSPs) of 2010-11 kharif and rabi crops to be marketed in 2011-12. The MSPs for all major crops have been raised. The increase is particularly large for pulses in order to encourage higher investment and production, especially in the light of last year's decline in the production (Table 1.6).

Table 1.6 Minimum support prices of various crops

	2009-10	2010-11	Difference between 2010-11 and 2009-10 prices (in ₹)
Kharif crops			
Paddy (common)	950	1,000	50
Paddy (gr. A)	980	1030	50
Jowar (hybrid)	840	880	40
Jowar (maldandi)	860	900	40
Bajra	840	880	40
Maize	840	880	40
Ragi	915	965	50
Arhar (tur)	2'300	3,000*	700
Moong	2,760	3,170*	410
Urad	2,520	2,900*	380

	2009-10	2010-11	Difference between 2010-11 and 2009-10 prices (in ₹)
Groundnut in shell	2,100	2,300	200
Sunflower	2,215	2,350	135
Soyabean (black)	1,350	1,400	50
Soyabean (yellow)	1,390	1,440	50
Sesamum	2,850	2,900	50
Nigerseed	2,405	2,450	45
Cotton	2,500	2,500	0
Rabi crops			
Wheat	1,100	1,120	20
Barley	750	780	30
Gram	1,760	2,100	340
Masur (lentil)	1,870	2,250	380
Rapeseed/mustard	1,830	1,850	20
Safflower	1,680	1,800	120

* *An additional incentive at the rate of ₹5 per kg is also available for tur, moong, and urad sold to procurement agencies during the harvest/arrival period of two months.*

***Source**: Department of Agriculture & Cooperation*

1.14. The timely availability of agricultural credit and in adequate measure is an important input for farmers in India. Agricultural credit flow as at the end of June 2010 stood at approximately 24 per cent of the target for 2010-11 (Table 1.7). Some major policy initiatives taken during the first half of 2010-11 to facilitate credit flow to the agriculture sector are given in Box 1.1. The Kisan Credit Cards (KCC) Scheme introduced in August 1998 has since stabilized, with a major share of crop loans being routed through it. As on March 31, 2010, a total of approximately 93.672 million KCCs have been issued cumulatively by commercial banks, cooperative banks, and regional rural banks with the sanctioned amount of ₹ 4,26,492 crore since inception. The micro-finance sector, which has been an important source of credit to the agriculture sector, however, faces some recent troubles (Box 1.2).

Table 1.7 Credit flow in 2010-11 vis-à-vis targets

(₹ crore)

Agency	Credit flow in 2010-11		
	Target 2010-11	Achievement (as on 30 June 2010)	% achievement
Commercial banks	2800000	66579.92	23.78
Cooperative banks	55000	14629.93	26.60
Regional rural banks	40000	8477.19	21.19
Total	**375000**	**89687.04**	**23.92**

***Source**: National Bank for Agriculture and Rural Development (NABARD).*

Box 1.1: Policy initiatives during the first half of 2010-11 to facilitate credit flow to agriculture.

In order to increase credit flow to agriculture, the target for the year 2010-11 was raised by ₹ 50,000 crore to ₹ 3,75,000 crore from ₹ 3,25,000 crore in 2009-10. In view of drought in some states and floods in some other parts of country, repayment under the Debt Waiver and Debt Relief Scheme for other farmers (not covered under the waiver or relief) was extended by six months from December 31, 2009 to June 30, 2010. The interest subvention for timely repayment of crop loans up to ₹ 3 lakh was raised from 1 per cent to 2 per cent for 2010-11, making 5 per cent per annum the effective rate of interest for such farmers.

Box 1.2. Micro-finance institutions in India

Micro financing is an innovative concept for meeting credit needs of the poorest sections of society, who were earlier believed to be unbankable, through providing small denomination loans for businesses and key expenses. It is a means of financial inclusion. The idea was originally conceived of and executed by the Nobel laureate Mohammad Yunus through the creation of the Grameen Bank in Bangladesh. The money is generally provided without collateral through women's self-help groups. The combined micro-credit outstanding in India is estimated at around US$ 6.7 billion and micro-credit has nearly 30 million beneficiaries. It has clearly had a large positive impact on the socio-economic conditions of the poor. Microfinance institutions' (MFI) activities had until recently been growing rapidly in India, with year-on-year growth rates of 70-80 percent—with some 62% growth in unique clients and 88% per annum growth in terms of portfolio over the past 5 years. Public, private, and foreign banks play an active role in this sector and it has emerged as a major profit centre activity with private equity institutions reportedly investing US $500 million in the last two years. The system has come under attack lately because of the suicide of farmers, especially in the State of Andhra Pradesh that accounts for nearly 30 per cent of the micro-finance portfolio in the country. The high interest rates of 26 to 30 per cent per annum and coercive methods of recovery are regarded as the contributing factors.

It is, however, necessary to weigh the pros and cons of micro-financing before taking further decision regarding its future in India. While we do need to regulate micro-finance, we must not make the mistake of regulating it out of existence. It has to be understood that by making credit available to the poor it may also have saved lives. Further, in its absence, the poor would turn to the informal village moneylender who often charges interest rates as high as 10 per cent per month, which compounded to a year, turn out to be over 200 per cent per annum.

What is important in this sector is to make sure that there is no ambiguity in the "contract" that is offered by the micro-finance institution to the borrower. The aim of regulation should be not so much to fix prices as to make sure that the terms of the lending are transparent to the borrower and there should be clear guidelines on the methods of recovery. In their zeal to ensnare borrowers, lending agents often misrepresent the interest that borrowers have to pay. Borrowers are systematically deluded about simple interest rates and compound interest rates. People end up borrowing money under terms, which, if they had fully understood, they would never have accepted. This is what needs to be regulated.

1.15. **Procurement and ample buffer stocks**: A noteworthy feature is that there has been continuous increase in the procurement levels of foodgrains by the Government (Table 1.8). This calls for an effective, efficient, and timely system of release of the foodgrains procured into the market to play a more effective price stabilizing role.

Table 1.8 Procurement of rice and wheat

(in lakh tonnes)

	Rice	Wheat
2006-07	250.75	92.26
2007-08	284.93	111.28
2008-09	336.85	226.82
2009-10	314.50*	253.82
2010-11		225.25#

*No * as on 30.09.2010;#as on 31.07.2010.*

E. Inflation Starting to Fall

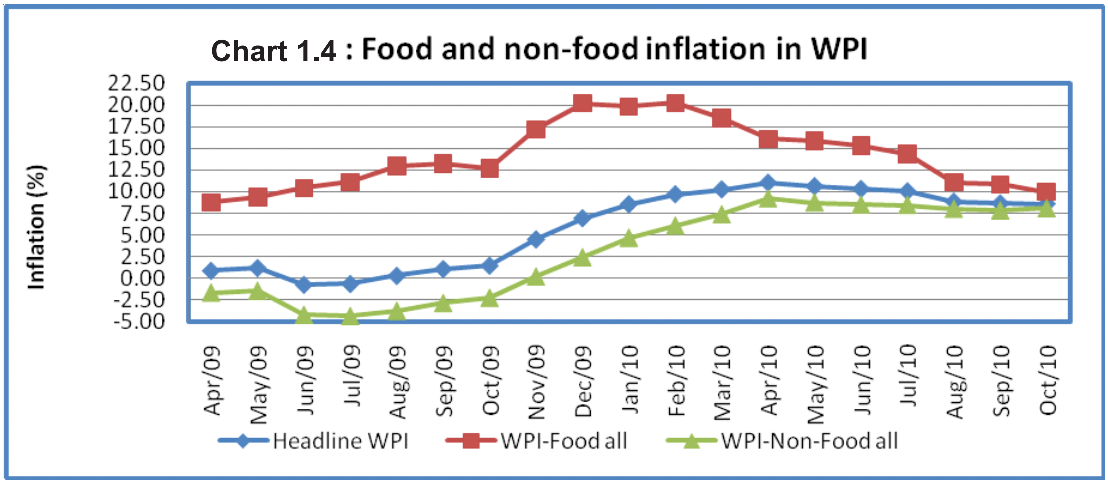
1.16. Inflation remained high in the current fiscal but is now coming down. The headline inflation as measured by the wholesale price index (WPI) {new series with base 2004-05=100 has been introduced from August 2010 with wider coverage} shot up in November 2009 and continued at elevated levels in the current fiscal. After reaching a peak level of 11.0 per cent in April 2010, it started to decelerate and is placed at 8.6 per cent in October 2010 (Table 1.9). Inflation in terms of financial-year build-up (that is change in index level in the current year over the March 2010 level) was at 4.3 per cent in October 2010 as against a level of 5.9 per cent in October 2009, indicating the lower momentum in the first half of the current fiscal.

1.17. Higher food prices, caused in part by domestic drought conditions last year and higher global food prices have been driving inflation. The sharper rise in headline WPI inflation in the current fiscal is also due to the rise in food items (Chart 1.4) together with a rise in the fuel power, light, and lubricants group and base effect (inflation was negative or moderate in the first half of 2009-10); whereas inflation in terms of consumer price indices (CPIs) has remained high on account of larger weights for food but has been less volatile. The deceleration in inflation could be attributed to the slew of policy measures taken to control prices such as a selective ban on exports and futures trading in foodgrains; zero import duty on select items and permits to import pulses and sugar by public-sector undertakings; distribution of imported pulses and edible oils through the PDS; and release of higher quota of non-levy sugar. The Reserve Bank of India (RBI) has gradually withdrawn from the accommodative monetary policy stance to douse inflationary expectations and pressures.

Table 1.9. Current price situation based on monthly WPI in October 2010

(Base: 2004-05=100)

Major groups	Weight (%)	Inflation (%) variation during FY since March		Inflation (%) (year-on-year)		Inflation (%) average of 12 months	
		2009-10	2010-11	2009-10	2010-11	2009-10	Nov 09-Oct 10
All commodities	100.00	5.93	4.34	1.48	8.58	2.37	8.98
Primary articles	20.12	14.36	9.22	10.30	16.68	8.80	18.90
Food articles	14.34	16.37	10.09	12.47	14.13	12.65	19.95
Fuel and power	14.91	8.37	5.71	-6.78	11.02	-3.40	10.26
Manufactured products.	64.97	2.35	1.91	0.58	4.75	1.63	4.95



1.18. Inflation in food items has gradually declined to 9.97 per cent in October 2010 from its peak of 20.22 per cent in February 2010. Inflation in total non-food items had remained in negative zone till October 2009. Thereafter, it turned positive and reached its peak of 9.18 per cent in April 2010. However, it has moderated to 8.05 per cent in October 2010.

1.19. Inflation measured in terms of the consumer price index for industrial workers (CPI-IW), remained higher than the WPI in the last 12 months (November 2008 to October 2009). However, the gap has narrowed from April 2010. Further, inflation in terms of the consumer price index for agriculture labour and rural labour (CPI-AL and CPI-RL) was higher than inflation based on the CPI-IW during all these months. Thereafter, in August 2010, inflation in terms of all price indices has come down to single digits. This has happened after 15 months and this trend is expected to continue (Table 1.10).

Table 1.10. Year-on-year inflation based on WPI and different consumer price indices

Month	WPI (2004-05=100)		CPI(IW) (2001=100)		CPI(UNME) (1984-85=100)		CPI(AL) (1986-87-100)		CPI(RL) (1986-87-100)	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Apr.	0.89	11.00	8.70	13.33	8.77	14.41	9.09	14.96	9.09	14.96
May	1.21	10.60	8.63	13.91	9.68	14.09	10.21	13.68	10.21	13.68
Jun.	-0.71	10.28	9.29	13.73	9.58	14.12	11.52	13.02	11.26	13.02
Jul.	-0.62	10.02	11.89	11.25	13.04	11.54	12.90	11.02	12.67	11.24
Aug.	0.31	8.82	11.72	9.88	12.88	10.30	12.89	9.65	12.67	9.66
Sep.	1.09	8.62P	11.64	9.82	12.39	10.39	13.19	9.13	12.97	9.34
Oct.	1.48	8.58P	11.49	9.70	12.02	-	13.73	8.43	13.51	8.45
Nov.	4.50		13.51		13.91		15.65		15.65	
Dec.	6.92		14.97		15.47		17.21		16.99	
Jan.	8.53		16.22		16.90		17.57		17.35	
Feb.	9.68		14.86		15.83		16.45		16.45	
Mar.	10.23		14.86		14.90		15.77		15.52	
Average	3.57		12.37		13.00		13.91		13.76	

P: Provisional

Note: The CPI (UNME) (consumer price index for urban non-manual employees) for base 1984-85=100 has been discontinued due to outdated base year with effect from April 2008 onwards.

F. Monetary Policy Tighter, Credit Conditions Supportive

1.20. Monetary policy easing was crucial in the early recovery of the economy after the global crisis broke; but tightening to control inflation is now necessary. The accommodative monetary policy which was pursued beginning mid-September 2008 instilled confidence in market participants, mitigated the adverse impact of the global financial crisis on the economy, and ensured that it started recovering ahead of most other economies. However, in view of the rising food inflation and the risk of it impinging on inflationary expectations, the RBI has embarked on a phased exit from the expansionary monetary policy.

1.21. The RBI has raised repo and reverse repo rates in several steps amounting to a total of 100 basis points (bps) and 150 bps respectively in the first half of the current financial year. The monetary policy actions were intended to moderate inflation by reining in demand pressures and inflationary expectations, maintain financial conditions conducive to sustaining growth, generate liquidity conditions consistent with more effective transmission of policy actions, and reduce the volatility of short-term rates in a narrower liquidity adjustment facility (LAF) corridor. These changes were quickly transmitted to the money and G-sec markets and banks have increased their deposit rates by 25-125 bps.

1.22. During 2010-11, in the first two quarters, broad money growth (M_3) remained below the levels in the corresponding period of the preceding year. On a financial-year basis, reserve money (M_0) had shown an increase of 1.6 per cent during the period April to end September 2010, as against a decrease of 2.3 per cent a year earlier. During the financial year so far (up to 22 October 2010), M_0 has increased by 1.5 per cent as against a decrease of 1.8 per cent last year. At the end of the second quarter, growth in M_3 on year-on-year basis was 14.7 per cent as against 19.5 per cent recorded in the Q2 of 2009-10. The year-on-year growth in bank credit in 2010-11 at the end of the first half (H1) was 20.1 per cent as against 10.7 per cent on the corresponding date of the previous year. Non-food credit recorded an increase of 20.1 per cent as on October 8, 2010 as against 11.1 per cent recorded on October 8, 2009.

1.23. Recently liquidity conditions have tightened and deposit growth has not kept pace with credit growth. Liquidity conditions were initially in surplus mode at the beginning of the financial year but turned quickly into deficit mode in June and July 2010 thanks to the mop up under telecom spectrum auction and advance tax payments. To alleviate frictional liquidity pressures, the RBI decided on October 29, 2010 to conduct a second LAF and also allowed scheduled commercial banks (SCBs) additional liquidity support under the LAF of up to 1.0 per cent of their net demand and time liabilities (NDTL). It also decided to conduct open market operations (OMOs) for the purchase of government securities for an amount of ₹ 12,000 crore on November 4, 2010.

Credit and banking

1.24. A return to trend growth in bank credit was essential for the recovery of credit to domestic industry, as non-bank sources remained more muted. Financial resources to the commercial sector including industry flow from banking as well as non- banking sources. During April-September 2010-11, the flow of financial resources to the commercial sector has gone up by 47 per cent as compared to the corresponding period of 2009-10 (Table 1.11). Non-bank sources, both domestic and foreign, had provided a comparatively larger pool of credit to the commercial sector during 2008-09 and 2009-10, whereas, during the first half of 2010-11 the flow of bank non-food credit has exceeded the credit flow from non-bank sources. Due to liquidity tightening, the share of domestic non-bank credit has been comparatively lower during H1 2010-11 as compared to the H1 2009-10. The share of net issuance of commercial papers (CPs) subscribed to by non-banks has declined significantly so far this year. Credit from non-bank foreign-based sources has so far been higher this financial year due to substantial increase in external commercial borrowings (ECBs)/ foreign currency convertible bonds (FCCBs) and short-term credit from abroad although the level of foreign direct investment (FDI) funding has been comparatively lower.

Table 1.11

Flow of financial resources to the commercial sector(in ₹ crore)*

Item		2008-09	2009-10	H12009-10	H12010-11
A.	**Adjusted non- food bank credit**	**4,21,091**	**4,80,258**	**1,06,575**	**2,55,674**
B.	**Flow from non-banks(B1+B2)**	**4,39,926**	**5,80,821**	**2,22,780**	**2,29,519**
B1.	**Domestic sources**	**2,58,132**	**3,64,989**	**1,45,829**	**1,30,141**
1.	Public issues by non-financial entities	14,205	31,956	13,617	10,448
2.	Gross private placements by non-financial entities	77,856	1,41,964	39,420	19,702
3.	Net issuance of CPs subscribed to by non-banks	4,936	25,835	50,999	32,812
4.	Net credit by housing finance companies	25,876	28,485	3,581	7,519

Item		2008-09	2009-10	H12009-10	H12010-11
5.	Total gross accommodation by the four RBI-regulated AIFIs-NABARD, NHB,SIDBI and Exim Bank	31,408	33,871	-3,332	15,300
6.	Systemetically important non-deposit taking NBFCs(net of bank credit)	42,277	60,663	18,064	30,935
7.	LIC's gross investment in corporate debt, Infrastructure, and social sector	61,574	42,215	23,480	13,425
B2.	**Foreign sources**	**1,81,794**	**2,15,832**	**76,950**	**99,379**
1.	ECBs/FCCBs	31,350	14,356	3,991	25,525
2.	ADR/GDR issues excluding banks and financial institutions	4,788	15,124	4,881	6,660
3.	Short-term credit from abroad	-12,972	35,170	-7,137	25,455
4.	FDI to India	1,58,628	1,51,182	75,215	41,739
C.	**Total flow of resources (A+ B)**	**8,61,017**	**10,61,079**	**3,29,355**	**4,85,193**

#:April-June **:Up to 15 September 2010* *^:April-August*

Source: RBI.

1.25. Non-food bank credit is the key source of funding to the industrial sector. Increase or decrease in non-food bank credit is taken as an indirect indicator of increase or decrease of activity in the industrial sector. While the share of industry in gross outstanding credit was about 43 per cent as on 24 September 2010, what is of concern is the decline in the industrial sector's share of non-food bank credit deployed during the first half of this fiscal year as compared to the corresponding period of the previous year. The share of the personal loans and services sector in gross non-food credit has comparatively increased during the first half of the current financial year. Also it is worth pointing out that within industry, almost two-thirds of the non-food credit is deployed in the infrastructure, iron and steel, and engineering sectors whereas the remaining sectors have a negligible share. The share of micro- and small industry in gross outstanding credit is only about 12 per cent although this sector accounts for a far larger share of overall manufacturing and exports. The share of the petroleum, coal products, and nuclear group and construction in the non-food bank credit kitty has shrunk further from the previous outstanding as these sectors may be sourcing funds from other than domestic commercial banks.

G. External Trade and Capital Flows Supportive

1.26. The surge in capital inflows from abroad has been strongly supportive of the recovery. Financial markets regained the vibrancy and robustness last displayed in fiscal 2007-08 with equity indices soaring sharply in the current fiscal. Sensex gained 2,473.61 points or 14.09 per cent and Nifty 785.5 points or 15.01 per cent as on October 29, 2010, the last trading day in the month of October. The market capitalization is around 1.5 times the GDP of 2009-10 (at market prices, revised estimates [RE], 2004-05 series) as on 29 October 2010 in comparison with 1.3 times as on 31 March 2010. Compared to major world indices, Indian stock exchanges witnessed remarkable growth this financial year. The rise was fuelled mainly by foreign institutional investment (FII) inflows and sound earnings of the Indian corporate sector.

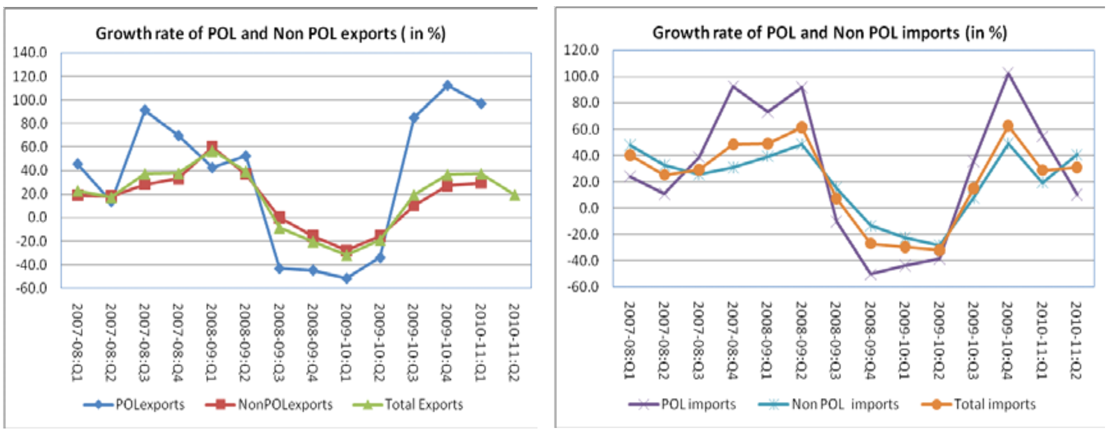
1.27. In turn, these flows financed trade, which was growing rapidly, and supported recovery as well. In view of the surge in FII inflows, capital account of the balance of payments remained strong with net capital flows of US$ 18.4 billion in the Q1 of 2010-11. As such, the elevated level of the CAD of US$ 13.7 billion in the Q1 (as against US$ 4.5 billion in Q1 of 2009) was easily financed. Data on investment inflows beyond Q1 indicate that, FIIs have invested US$ 23.9 billion on a net basis and together with other direct equity inflows and portfolio investment flows, total capital inflows were of the order of US$ 37.4 billion in April-September 2010.

Current account

1.28. The widening of the CAD owes to the widening of the trade balance on account of weak global demand (for exports) and strong domestic demand (for imports). During Q1 of 2010-11, exports on BoP basis at US$ 53.7 billion were 37.0 per cent higher than those at US$ 39.2 billion in Q1 of the 2009-10. Similarly, imports at US$ 87.9 billion registered 35.6 per cent growth during the same period. However, despite higher growth in exports relative to imports, trade deficit at US$ 34.2 billion was 33.6 per cent higher during Q1 of 2010-11 than the US$ 25.6 billion in Q1 of 2009-10.

1.29. As data on BoP basis beyond Q1 is not available, data on customs basis is available for merchandise trade. During 2010-11 (April- September), the cumulative value of exports on customs basis reached US$ 103.65 billion as against US$ 80.95 billion in the corresponding period of the previous year, registering a growth of 28.0 per cent in dollar terms. Cumulative value of imports for the same period was US$ 166.48 billion as against US$ 128.13 billion during the corresponding period of the previous year, registering a growth of 29.9 percent in dollar terms (Chart 1.5).

Chart 1.5 Quarterly growth rates of exports and imports (per cent, year-on-year)



1.30. Under invisibles, service receipts (comprising travel, transaction, software business, and financial services) of US$ 26.1 billion recorded a growth of 22.5 per cent during Q1 of 2010-11 over US$ 21.3 billion in Q1 of 2009-10. Software services exports at US$ 12.7 billion also recorded a positive growth of 15.5 per cent during Q1 of 2010-11 as against a decline of 8.9 per cent a year earlier. According to NASSCOM estimates (February 2010), software exports are expected to grow by about 13-15 per cent to about US$ 56-57 billion during 2010-11. Private transfer receipts, comprising mainly remittances from Indians working overseas, of US$ 13.7 billion during Q1 of 2010-11 increased moderately by 3.0 per cent (as compared to 5.1 per cent growth a year earlier). Invisibles payments, on the other hand, recorded a growth of 36.0 per cent mainly due to higher payments under investment income and also on account of higher payments under travel, transportation, business, and financial services. As a result, there was a marginal decline of 3.3 per cent in net invisibles (invisibles receipts minus invisibles payments), standing at US$ 20.5 billion in Q1 of 2010-11 vis-a-vis US$ 21.2 billion in Q1 of 2009-10, due to higher invisibles payments. As a result of higher trade deficit combined with lower invisibles surplus, the CAD widened to US$ 13.7 billion during Q1 of 2010-11 vis-a-vis US$ 4.5 billion in Q1 of 2009-10.

Capital account

1.31. The capital account, however, remained buoyant as there was a surge in capital inflows which stood at US$ 18.4 billion in Q1 of 2010-11 vis-a-vis US$ 4.0 billion in Q1 of 2009-10. The increase in capital inflows was mainly led by inflows under short-term credit, ECB, external assistance and banking capital. Short-term trade credit to India recorded a large net inflow of US$ 5.6 billion in Q1 of 2010-11 (as against a net outflow of US$ 1.5 billion during Q1 of 2009-10) in line with an increase in imports associated with strong domestic economic activity and improved conditions in the global financial markets. Net ECBs were significantly higher at US$ 2.7 billion during the quarter (as against a decline of US$ 0.5 billion in Q1 of 2009-10) mainly due to higher disbursements of commercial loans to India coupled with lower repayments. Banking capital recorded net inflows of US$ 4.0 billion during the quarter (as against net outflows of US$ 3.4 billion in Q1 of 2009-10) mainly due to net inflows under non-resident Indian (NRI) deposits and overseas foreign currency borrowings of banks.

1.32. Net FDI flows (net inward FDI minus net outward FDI) amounted to US$ 3.2 billion during the quarter (almost half the level in Q1 of 2009-10) mainly due to lower net inward FDI (at US$ 6.0 billion in Q1 of 2010-11 as compared to US$ 8.7 billion in Q1 of 2009-10). Net outward FDI was marginally higher at US$ 2.8 billion (US$ 2.6 billion in Q1 of 2009-10). The deceleration in FDI to India was mainly on account of lower FDI inflows under construction, real estate, business, and financial services. Net portfolio investments were also significantly lower at US$ 4.6 billion during the quarter (US$ 8.3 billion during Q1 of 2009-10), mainly due to deceleration in net FII flows largely on account of risk aversion by global investors following the sovereign debt crisis in the euro zone countries. As the capital account surplus was higher than the CAD, the overall balance was in surplus at US$ 3.7 billion, which resulted in a net accretion to foreign exchange reserves of equivalent amount on BoP basis during Q1 of 2010-11 (Table 1.12).

Table 1.12

Balance-of-payments developments during 2008-09 to 2010-11 (Q1-April-June 2010)

(US$ billion)

Sl	Items	2008-09 (April-March) PR	2009-10 (April-March) P	2009-10 Q1 (April-June) (PR)	2010-11 Q1 (April-June) (P)
1	2	3	4	5	6
1	Exports	189.0	182.2	39.2	53.7
2	Imports	307.7	299.5	64.8	87.9
3	Trade balance	(-) 118.7	(-) 117.3	(-) 25.6	(-) 34.2
4	Net invisibles	89.9	78.9	21.2	20.5
5	Goods & services balance	(-) 69.0	(-) 83.1	(-) 15.3	(-) 24.1
6	Current account balance	(-) 28.7	(-) 38.4	(-) 4.5	(-) 13.7
7	External assistance (net)	2.6	2.0	0.1	2.3
8	ECB (net)	7.9	2.5	(-) 0.5	2.7
9	Short-term trade credit	(-) 1.9	7.7	-1.5	5.6
10	FDI (net)	17.5	19.7	6.1	3.2
11	Portfolio	(-) 14.0	32.4	8.3	4.6
12	Banking capital	(-) 3.2	2.1	-3.4	4.0
13	Capital account balance	7.2	53.6	4.0	18.4
14	Capital account balance (including errors & omissions)	8.6	51.9	4.6	17.5
15	Change in reserves (-indicates increase; + indicates decrease) (on BoP basis)	20.1	(-) 13.4	(-) 0.1	(-) 3.7
Memo items/assumptions					
1	Trade balance/GDP (%)	(-) 9.8	(-) 8.9	-	-
2	Goods & services balance / GDP (%)	(-) 6.0	(-) 6.3	-	-
3	Invisibles balance / GDP (%)	7.4	6.0	-	-
4	Current account balance / GDP (%)	(-)2.4	(-) 2.9	-	-
5	Net capital flows / GDP (%)	0.6	4.1	-	-

Note: PR: Partially Revised, P: Preliminary ***Source**: RBI.*

1.33. As per the latest available information on capital inflows, there were FDI inflows of US$ 13.5 billion during April-September 2010 as compared to US$ 17.8 billion during the corresponding period in the previous year. FII inflows increased sharply to US$ 27.5 billion during April-15 October 2010 from US$ 18.4 billion a year earlier. ECB approvals have also been higher at US$ 10.6 billion during April-September 2010 (US$ 7.2 billion a year ago), while the NRI deposits (net) marginally declined to US$ 2.2 billion during April-September 2010 vis-a-vis US$ 2.9 billion during the same period in 2009-10. The surge in FIIs could be attributed to relatively sound economic fundamentals and increased international liquidity due to easy monetary policies followed by many advanced economies.

Foreign exchange reserves and exchange rates

1.34. In fiscal 2010-11, foreign exchange reserves have increased by US$ 13.8 billion from US$ 279.1 billion in end March 2010 to US$ 292.9 billion in end September 2010. The reserves further increased to US$ 298.0 billion in end October 2010. This level of reserves provides about 10 months of import cover. The level of reserves in India continues to be high and ranks fourth amongst top ten foreign exchange reserves holding countries (Table 1.13)

Table 1.13

Foreign exchange reserves of major countries

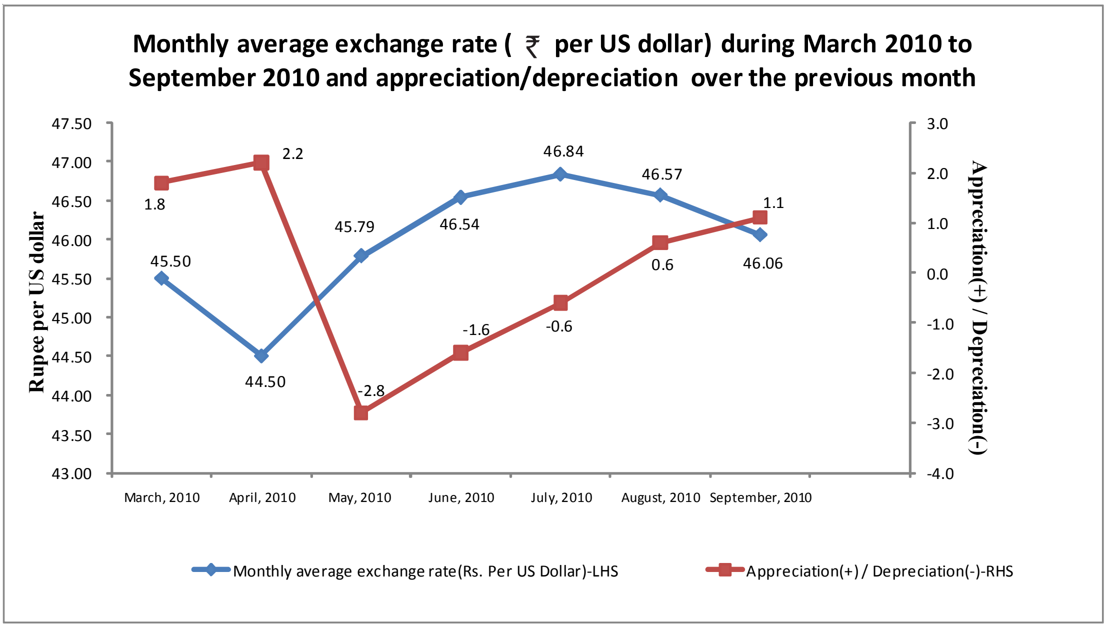
(US$ billion)

Sl.	Country	Foreign exchange reserves at end-October 2010
1	China (June 2010)	2454.3
2	Japan	1140.0
3	Russia	497.1
4	India	298.0
5	Korea	293.5
6	Brazil	284.9
7	China P R Hong Kong (Sept 2010)	266.1
8	Singapore (Sept 2010)	214.7
9	Germany	208.5
10	France (Sept 2010)	177.3

Source *: IMF except for China*

1.35. Exchange rate movements in the year 2009-10 indicated that the average monthly exchange rate of the rupee against the US dollar appreciated by 12.6 per cent from ₹ 51.23 per US dollar in March 2009 to ₹ 45.50 per US dollar in the month of March 2010, mainly on account of weakening of the US dollar in international markets (Chart 1.6).

Chart 1.6: Monthly exchange rates and rates of appreciation and depreciation



1.36. The 6-currency trade-based real effective exchange rate (REER) (base: 1993-94=100) appreciated by 20.0 per cent between March 2009 and March 2010. The broader 36-currency trade-weighted REER also appreciated by 13.2 per cent during the same period, largely reflecting the significant rise in inflation rate in India (Table 1.14). In 2010-11 (upto September, 2010), while the 6-currency index showed an appreciation of 2.3 per cent, the 36-currency has depreciated by 1.6 per cent over March 2010. The 36-currency REER covers around 90 per cent of India's foreign trade and is hence more representative of India's external condition. If the positive inflation differentials persist, and the tendency among some countries to use a depreciated exchange rate to boost their exports further amplifies, then the competitiveness of Indian exports may face pressures.

Table 1.14
Indices of REER and NEER of the Indian ₹ (six-currency trade-based weights)
Base 1993-94 (April-March) = 100

Monthly averages	NEER	Appreciation (+) / depreciation (-) in NEER over previous month	REER	Appreciation (+) / depreciation (-) in REER over previous month
1	2	3	4	5
March 2009	60.45		95.44	
March 2010 (P)	66.59		114.49	
2010-11 (P)				
April 2010 (P)	68.40	2.7	118.91	3.9

1	2	3	4	5
May 2010 (P)	68.07	-0.5	120.00	0.9
June 2010 (P)	67.55	-0.8	118.79	-1.0
July 2010 (P)	65.70	-2.7	116.18	-2.2
August 2010 (P)	65.66	-0.1	116.35	0.1
September 2010	66.00	0.5	117.17	0.7

Note: NEER - Nominal Effective Exchange Rate, REER - Real Effective Exchange Rate, P : Provisional
***Source**: RBI.*

H. Social Protection Spending Expanded

1.37. Employment context: The Labour Bureau has released the seventh in its series of quarterly reports on the effect of economic slowdown on employment in India during April-June 2010. During the survey, information was collected from 2,635 units/ establishments covering 21 centres spread across 11 States and Union Territories. According to the Report, the upward trend in employment reflected by the previous four quarterly surveys has sustained during the April-June 2010 quarter as well. However to forestall any possible adverse impact on employment, given the global situation, social protection spending was expanded.

1.38. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS): During the year 2009-10, 5.25 crore households were provided employment under the scheme as against more than 4.51 crore households during the year 2008-09. During 2010-11, so far (1 October 2010.), 3.52 crore households have been provided employment under the scheme.

1.39. Rashtriya Swasthya Bima Yojana (RSBY): The RSBY for BPL families (a unit of five) in the unorganized sector was launched on 1 October 2007. The total sum insured is ₹ 30,000 per family per annum. The scheme has provision for issue of smart cards to its beneficiaries to enable cashless transactions for health care. More than 1.97 crore smart cards have been issued as of 25 October 2010.

1.40. National Rural Health Mission (NRHM): The NRHM has resulted in transformation of public health service delivery in States. Decentralization, responsiveness to local needs, paradigm shift in health system management, and availability of untied funds has improved the facilities. All monitoring indicators show significant progress.

1.41. Bharat Nirman Rural drinking water: Bharat Nirman, a programme to build rural infrastructure, was launched by the Government of India in 2005. Phase I of the programme was implemented in the period 2005-06 to 2008-09. Phase II is being implemented from 2009-10 to 2011-12. Rural drinking water is one of its six components. As on 1 April 2009 at the beginning of Bharat Nirman Phase II, States reported that 1,79,999 quality-affected habitations remained to be covered. Of these, 32,734 habitations during 2009-10 and 5,391 so far during 2010-11 have been reported as covered. Thus, in all, during Bharat Nirman Phases I and II, 88,293 quality-affected habitations have been fully covered.

1.42. Environment and climate change: The Government of India has initiated a number of measures within the parameters of the policy and regulatory framework to protect the environment and conserve forests. A National Green Tribunal (NGT) has been notified in October 2010. The Tribunal will act as a specialized body to determine and adjudicate all matters relating to the environment.

CHAPTER II

CENTRAL GOVERNMENT FINANCES

A. Review of trends in receipts and expenditure during April-September 2010

2.1 Budget 2010-11 was presented in the background of signs of recovery in the global economy led by emerging market economies with the Indian economy posting a 7.4 per cent growth in 2009-10. Indian economy is estimated to grow at 8.75 per cent during 2010-11 and with 8.9 per cent real GDP growth in the first half, is broadly on track. This revival is aided by the various fiscal and other measures undertaken by the Government to obviate the adverse effect of the global financial and economic crisis in 2008-09 and continues through the current fiscal, albeit with a partial withdrawal of the stimulus. Though there are uncertainties prevailing in the world economy, it was felt that there is a need for calibrated exit from the expansionary policies undertaken during the crisis period. Accordingly, Budget 2010-11 had enumerated the path for fiscal consolidation in the medium term and the process started with reduction in estimated fiscal deficit to 5.5 per cent of GDP in 2010-11 from a level of 6.6 per cent in 2009-10.

2.2 The reduction in fiscal deficit for the year 2010-11 was in line with the commitment made in the Medium Term Fiscal Policy Statement (MTFPS) presented to the Parliament along with the Union Budget 2009-10. The revenue deficit is estimated at 4.0 per cent of GDP in the year 2010-11. As proportion of GDP, fiscal deficit and revenue deficit at 34.9 per cent and 27.1 percent in 2010-11(H1), respectively shows satisfactory outcome. This is the first time that fiscal and revenue deficit as proportions of budget estimates are within the threshold levels of 45 per cent of Budget Estimates (BE) as mandated under the FRBM Rules 2004. Non-debt receipts at 55.6 per cent of BE in 2010-11 is also above the mid-year benchmark level of 40 per cent of BE.

2.3 Summarised position on trends in receipts and expenditure as at the end of the Q2 of year 2010-11 (April-September, 2010) is given below in Table 2.1. The figures therein are unaudited and may undergo revision subsequent to audit. The receipts and recoveries, wherever directly linked to expenditure, have been netted out.

Table 2.1

Budgetary position April-September 2010-11

		2010-11 B.E.	April-September 2010-11	April-September 2009-10	2010-11 Actuals as a percentage of B.E. (col. 3 as per cent of col. 2)	Increase over previous year (col. 3 over col. 4) (per cent)
		₹ crore				
	1	2	3	4	5	6
1.	**Revenue Receipts**	**6,82,212**	**3,98,234**	**2,44,471**	**58.4**	**62.9**
2.	Tax Revenue (Net)	5,34,094	2,33,415	1,85,669	43.7	25.7
3.	Non-Tax Revenue	1,48,118	1,64,819	58,802	111.3	180.3
4.	**Capital Receipts (5+6+7)**	**4,26,537**	**1,39,743**	**2,04,377**	**32.8**	**-31.6**
	Non Debt Capital Receipts	45,129	6,491	6,602	14.4	-1.7
5.	Recovery of Loans	5,129	4,256	2,302	83.0	84.9
6.	Other Receipts	40,000	2,235	4,300	5.6	-48.0
7.	**Borrowings and other liabilities**	**3,81,408**	**1,33,252**	**1,97,775**	**34.9**	**-32.6**
8.	**Total Receipts (1+4)**	**11,08,749**	**5,37,977**	**4,48,848**	**48.5**	**19.9**
9.	**Non-Plan Expenditure**	**7,35,657**	**3,68,270**	**3,22,070**	**50.1**	**14.3**
10.	On Revenue Account	6,43,599	3,28,308	3,01,291	51.0	9.0
11.	of which Interest Payments	2,48,664	1,02,779	86,669	41.3	18.6
12.	On Capital Account	92,058	39,962	20,779	43.4	92.3
13.	**Plan Expenditure**	**3,73,092**	**1,69,707**	**1,26,778**	**45.5**	**33.9**
14.	On Revenue Account	3,15,125	1,44,847	1,08,163	46.0	33.9
15.	On Capital Account	57,967	24,860	18,615	42.9	33.6
16.	**Total Expenditure (9+13)**	**11,08,749**	**5,37,977**	**4,48,848**	**48.5**	**19.9**
17.	Revenue Expenditure (10+14)	9,58,724	4,73,155	4,09,454	49.4	15.6
18.	Capital Expenditure (12+15)	1,50,025	64,822	39,394	43.2	64.6
19.	**Revenue Deficit (17-1)**	**2,76,512**	**74,921**	**1,64,983**	**27.1**	**-54.6**
20.	**Fiscal Deficit {16 –(1+5+6)}**	**3,81,408**	**1,33,252**	**1,97,775**	**34.9**	**-32.6**
21.	**Primary Deficit (20 – 11)**	**1,32,744**	**30,473**	**1,11,106**	**23.0**	**-72.6**

Source: *Figures released by Controller General of Accounts for period April-September 2010; 2009-10 figures are provisional.*

B. Receipts

(1) Revenue Receipts

2.4 The revenue receipts were estimated at ₹ 6,82,212 crore in BE 2010-11 reflecting growth of 18.6 per cent over provisional actuals for 2009-10. Revenue receipts during the first half (H1) of 2010-11 are ₹ 3, 98,234 crore as compared to ₹ 2,44,471 crore in H1 in the previous financial year reflecting a growth of 62.9 per cent. Revenue receipts amounted to 58.4 per cent of B.E. 2010-11 and compares well with 39.8 per cent achieved during 2009-10 (H1) and five years moving average of 39.2 per cent. This better performance has to be seen in the context of one time receipts of about ₹ 1,06,000 crore from the proceeds of telecom 3G spectrum & BWA auction.

2.5 Gross tax revenue collections grew by 25.3 per cent from ₹ 2,58,880 crore (at the end of 2nd Quarter in 2009-10) to ₹ 3,24,397 crore at the end of Q2 of 2010-11. The detailed analysis of various components of tax revenue is given in the following section. The non tax revenue receipts during April-September, 2010 is ₹ 1,64,819 crore including ₹ 1,06,000 crore from 3G spectrum and BWA auction proceeds amounting to 111 per cent of B.E and reflects year-on - year growth of 180.3 per cent.

2.6 Following Table (2.2) shows the trend in revenue receipts as percentage of B.E. as well as ratio of GDP in the recent years.

Table 2.2
Revenue receipts in April-September

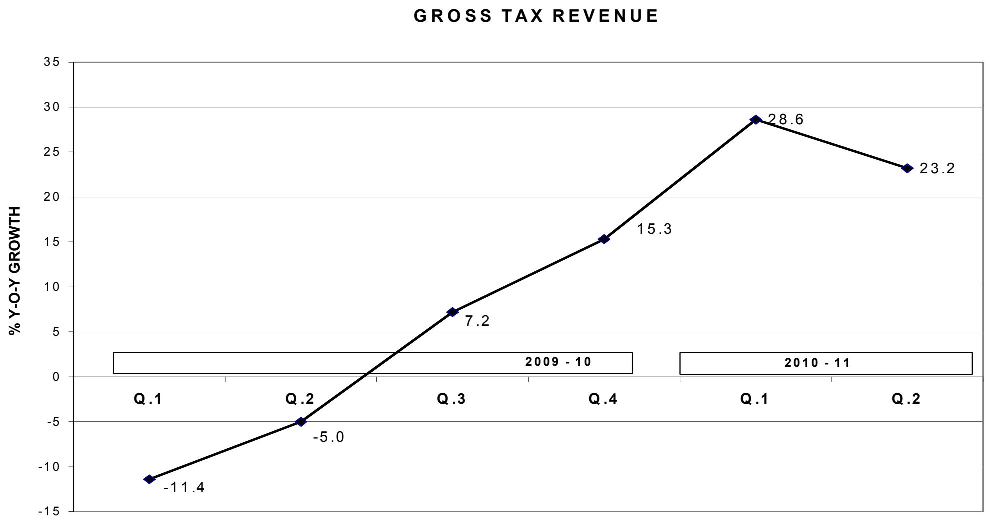
(₹ crore)

		April-September					
REVENUE RECEIPTS		**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1	Tax revenue (Net)	96249	129986	160500	202247	185669	233415
2.	Non-tax revenue	26596	31420	37456	42651	58802	164819
3.	Total	122845	161406	197956	244898	244471	398234
		(3.4)	(3.9)	(4.2)	(4.6)	(3.9)	(5.7)
4.	BE for the full year	351200	403465	486422	602935	614497	682212
5.	**Receipts as a proportion of BE(%)**	**35.0**	**40.0**	**40.7**	**40.6**	**39.8**	**58.4**

Note: Figures in parenthesis are percentage of GDP.

(2) Gross Tax Revenue

2.7 Gross tax revenue was estimated at ₹ 7,46,651 crore in B.E. 2010-11 reflecting a growth of 19.1 per cent over provisional gross tax revenue during 2009-10. The collection of gross tax revenue during April - September, 2010 is placed at ₹ 3,24,397 crore reflecting a growth of 25.3 per cent over the period April-September, 2009. This is better than estimated growth in gross tax revenue collection during H1 of 2010-11 shows that signs of revival in the economy are going to continue. Almost all the major components of tax revenue have shown better than estimated growth during the first half of 2010-11.



2.8 The significant shift which took place during 2007-08 wherein the Direct tax collection for the first time surpassed the Indirect tax collection continues in 2010-11. This structural change indicates the shift in the taxation system towards a more progressive and equitable tax structure. Table 2.3 shows the details of gross tax revenue at the end of the Q2 of 2010-11 as compared to the corresponding period of 2009-10.

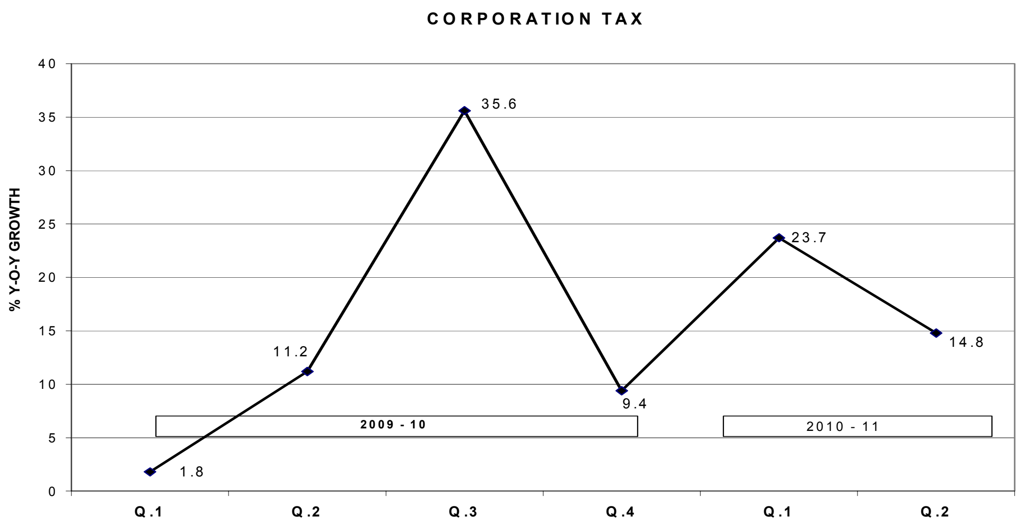
Table 2.3
Components of Gross Tax Revenue

		2010-2011				2009-2010		
		B.E	**Actuals up to September 2010**	**per cent of B.E**	**per cent growth over September 2009**	**B.E.**	**Actuals up to September 2009**	**per cent of B.E**
		(₹ crore)				*(₹ crore)*		
1.	Corporation Tax	301331	123161	40.9	17.9	256725	104504	40.7
2.	Taxes on income other than Corporation Tax	120566	56480	46.8	13.6	106800	49703	46.5
3.	Customs	115000	61051	53.1	61.8	98000	37744	38.5
4.	Union Excise Duties	132000	52058	39.4	41.1	106477	36893	34.7
5.	Service Tax	68000	26936	39.6	15.9	65000	23236	35.8
6.	Other taxes	9754	4711	48.3	-30.7	8077	6800	84.2
Total Gross Tax Revenue		**746651**	**324397**	**43.4**	**25.3**	**641079**	**258880**	**40.4**

(3) Direct Taxes

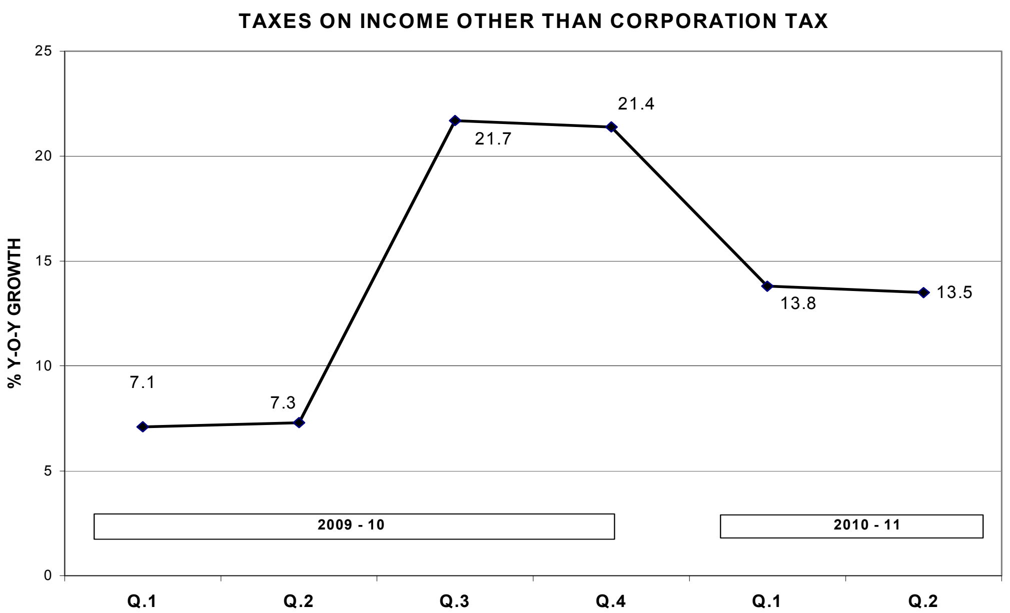
Corporation Tax

2.9 The Corporation Tax continues to be the largest component of total tax revenue. It was estimated at ₹ 3,01,331 crore in BE 2010-11 reflecting growth of 23 per cent over the actual receipts of Corporation tax collection during 2009-10. In the first half of 2010-11, a growth of 17.9 per cent over the levels of collections during the same period in 2009-10 was evidenced in this tax component. Though the trend in the first half of the financial year shows lower than estimated growth, there may not be any shortfall from the target set in BE 2010-11.



Income Tax other than Corporation Tax

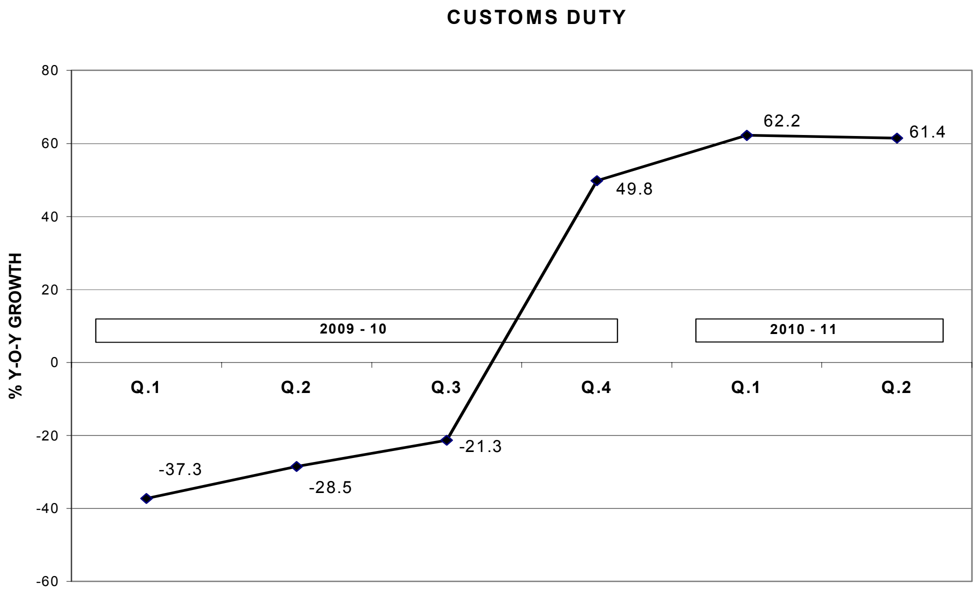
2.10 This is estimated at ₹ 1,20,566 crore in BE 2010-11 reflecting a decline of 1 per cent over the collections during 2009-10. The decline was estimated due to abolition of surcharge and change in tax slabs. However, even with these changes in the tax structure, the actual collection of ₹ 56,480 crore during the first half of 2010-11 shows a growth of 13.6 per cent over collection in the corresponding period in 2009-10. In all likelihood, the receipts under this component of tax are likely to be better than the estimated level.



(4) Indirect Taxes

Customs

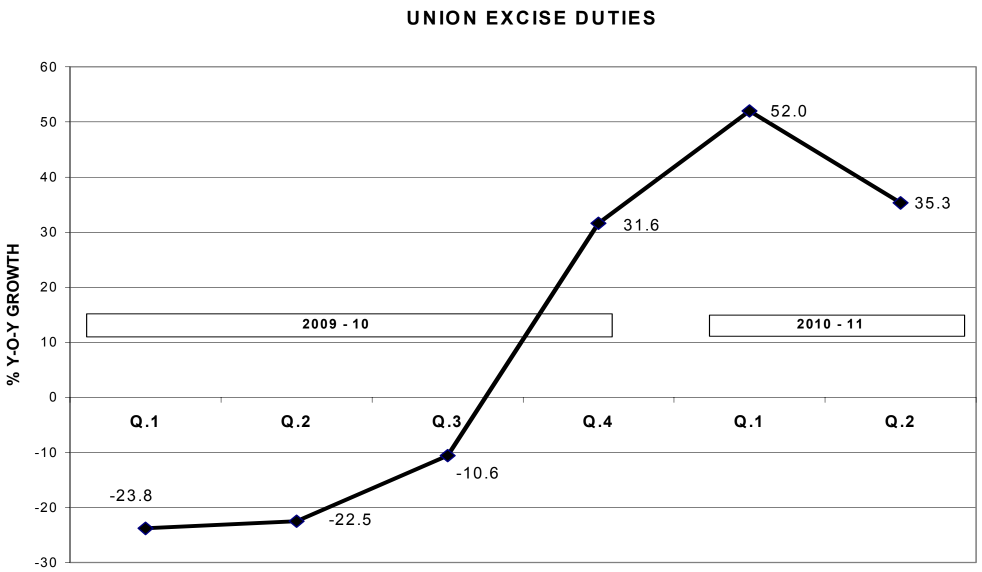
2.11 Revenue from Customs was estimated at ₹ 1,15,000 crore in BE 2010-11 reflecting a growth of 36.5 per cent over actual collection of 2009-10. Receipts under this component have shown a growth of 61.8 per cent in the first half of 2010-11 over the corresponding period in 2009-10 (₹ 37,744 crore). The collection of ₹ 61,051 crore in the first half of 2010-11 is 53 per cent of BE.



With strong domestic demand, this trend is likely to continue and receipts under Customs may exceed BE 2010-11.

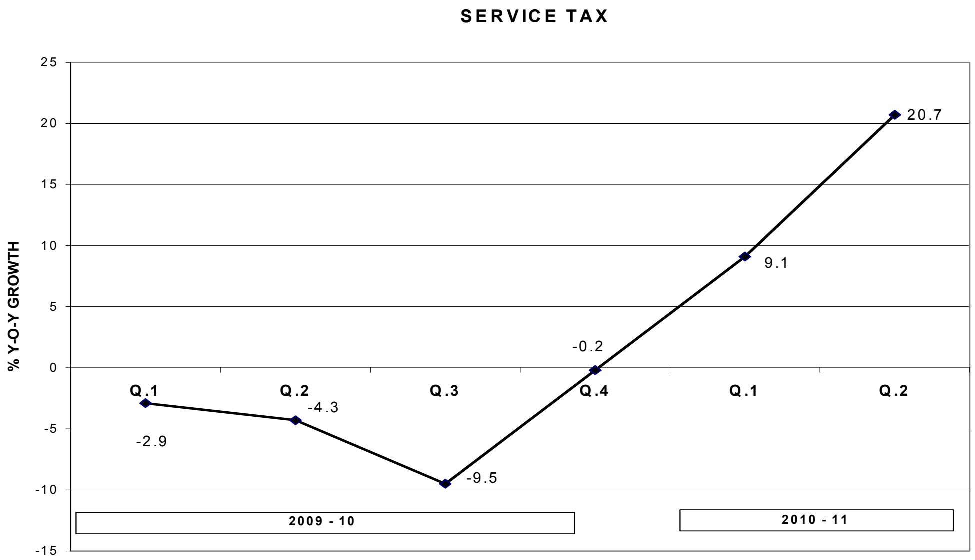
Union Excise Duties

2.12 Revenue from Union Excise Duties was estimated at ₹ 1,32,000 crore in BE 2010-11 reflecting a growth of 26 per cent over actual collection of 2009-10. The increase was estimated on the basis of partial restoration of rate of excise duty (fiscal stimulus cuts) and overall industrial activity. In the first half of 2010-11, the receipts under this component is ₹ 52,058 crore reflecting a growth of 41.1 per cent over the collections in the corresponding period of 2009-10 (₹ 36,893 crore) and is 39.4 per cent of BE 2010-11. This also indicates that the tax base is growing at a faster rate than implied change of 25 per cent (i.e. from 8% to 10%) in the tax rate. There may be additional receipts under this component over the estimated level, going by the present trend.



Service Tax

2.13 Service Tax in BE 2010-11 was estimated at ₹ 68,000 crore reflecting a growth of 16.3 per cent over receipts in 2009-10. In the first half of the current fiscal, the collections stood at ₹ 26,936 crore, a growth of 15.9 per cent over the collections made in the corresponding period of 2009-10 (₹ 23,236 crore). The amount collected during April – September, 2010 constituted 39.6 per cent of BE 2010-11.



(5) Non Tax Revenue

2.14 Non tax revenue receipts up to April-September 2010 is placed at ₹ 1,64,819 crore amounting to 111 per cent of B.E. 2010-11 showing an unprecedented growth of 180 per cent over receipts during corresponding period of previous financial year. This is mainly on account of higher receipts from proceeds of telecom 3G Spectrum and BWA auction.

Non-debt Capital Receipts

2.15 The receipts on account of recoveries of loans in the current fiscal was ₹ 4,256 crore up to September 2010 compared to ₹ 2,302 crore during the corresponding period of previous financial year. This is 83 per cent of B.E. for the current year as compared to 54 per cent during the previous year. Disinvestment receipt and Miscellaneous receipt for current year are ₹ 2,155 crore and ₹ 80 crore, respectively against ₹ 4,300 crore and Nil respectively during the corresponding period of previous financial year. With the robust pipeline in place for disinvestment during the second half of financial year, the B.E. of ₹ 40,000 crore would be met during 2010-11.

C. Expenditure

(1) Total Expenditure

2.16 Total expenditure in B.E. 2010-11 is ₹ 11,08,749 crore, which is 16 per cent of GDP, up by 8.9 per cent over actual expenditure of ₹ 10,18,526 crore in 2009-10. Total expenditure, during April-September 2010 stood at ₹ 5,37,977 crore (48.5 per cent of B.E.2010-11). The total expenditure at the end of Q2 during the current year has gone up by 19.9 per cent from ₹ 4,48,848 crore in the previous year. Higher than estimated rate of growth in expenditure may be seen in the context of right pacing of plan expenditure and one time expenditure in some sectors (e.g. recapitalisation of public sector banks, ways and means advance to FCI). The Year-on -Year growth in non-plan revenue expenditure during the first half of 2010-11, in fact, is less than 10 per cent.

2.17 Revenue expenditure during April-September, 2010 has gone up from ₹ 4,09,454 crore in 2009-10 to ₹ 4,73,155 crore in 2010-11 showing a growth of 15.6 per cent and amounts to 49.4 per cent of the estimated revenue expenditure in BE 2010-11. Within overall revenue expenditure, plan revenue expenditure grew by 33.9 per cent during H1 of 2010-11.

2.18 Capital expenditure during April-September 2010-11 is placed at ₹ 64,822 crore as against ₹ 39,394 crore during the same period in 2009-10 reflecting growth of 64.5 per cent. Capital expenditure at the end of Q2 is 43.2 per cent of the estimated capital expenditure in BE 2010-11. Higher growth in capital expenditure is largely on account of one time expenditure related to recapitalisation of public sector banks and ways & means advance to FCI for their procurement operation. Trends in expenditure as percentage of B.E. as well as ratio of GDP at the end of Q2 during the recent years are shown in the Table 2.4:

Table 2.4
Trends in expenditure in April-September

(₹ crore)

		April-September					
EXPENDITURE		**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1	Revenue	187942	230683	259080	323211	409454	473155
2.	Capital	23041	21261	58812*	25870	39394	64822
3.	Total Expenditure	210983	251944	317892	349081	448848	537977
		(5.9)	(6.1)	(6.7)	(6.6)	(7.2)	(7.8)
4.	BE for the full year	514344	563991	680521	750884	1020838	1108749
5.	**Item 3 as percentage of item 4**	**41.0**	**44.7**	**46.7**	**46.5**	**44.0**	**48.5**

* *This includes onetime expenditure of ₹ 35,531 crore on account of payment to RBI for acquisition of its stake in SBI*

Note: Figures in parenthesis are percentage of GDP.

(2) Plan Expenditure

2.19 Plan Expenditure during 2010-11 is estimated at ₹ 3,73,092 crore, reflecting a growth of 23.5 per cent over the provisional actuals of 2009-10. Plan expenditure of ₹ 1,69,707 crore during April-September, 2010 accounts for 45.5 per cent of BE 2010-11 and reflects a growth of 33.9 per cent over expenditure during the same period in the previous year. Trends in plan expenditure as percentage of GDP and as percentage of B.E. at the end of Q2 of respective financial years are shown below in Table 2.5:

Table 2.5
Trends in plan expenditure in April-September

(₹ crore)

		April-September					
PLAN EXPENDITURE		**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1.	Revenue	46123	57757	71571	93727	108163	144847
2.	Capital	13283	11122	15187	14725	18615	24860
3.	Total Expenditure	59406	68879	86758	108452	126778	169707
		(1.7)	(1.7)	(1.9)	(2.0)	(2.0)	(2.4)
4.	BE for the full year	143497	172728	205100	243386	325149	373092
5.	**Item 3 as percentage of item 4**	**41.4**	**39.9**	**42.3**	**44.6**	**39.0**	**45.5**

Note: Figures in parenthesis are percentage of GDP.

(3) Non Plan Expenditure

2.20 Non-plan expenditure is estimated in B.E. 2010-11 at ₹ 7,35,657 crore which constitutes 66.4 per cent of total expenditure during 2010-11 and reflects growth of 2.7 per cent over the actual non-plan expenditure in 2009-10. Non-plan expenditure at the end of first half has increased from ₹ 3,22,070 crore in 2009-10 to ₹ 3,68,270 crore in 2010-11 reflecting a growth of 14.3 per cent. Non-plan expenditure during April-September, 2010 is 50.1 per cent of BE.

2.21 Major subsidies, accounted for under non-plan expenditure, have shown lesser outgo at the end of Q2 of the current financial year when compared to the same period during the previous financial year. The Government had indicated its intent for reforms in subsidy administration. The outgo on food subsidy has increased from a level of ₹ 31,864 crore to ₹ 34,673 crore in April-September, 2010 reflecting a growth of 8.8 per cent. Various subsidies on fertiliser have decreased from ₹ 33,015 crore to ₹ 28,200 crore at the end of Q2 showing a negative growth of 14.6 per cent. The decision of the Government to move towards nutrient based subsidy (NBS) regime in fertiliser subsidy along with increase in the MRP of urea is one of the steps in order to reform the existing subsidy regime. Another non-discretionary item, namely, pensionary charges has also shown higher outgo of ₹ 28,294 crore at the end of Q2 of the current financial year showing a growth of 35.6 per cent. Trends in non-plan expenditure as percentage of GDP and as percentage of B.E. at the end of Q2 of respective financial years are shown below in Table 2.6:

Table 2.6
Trends in plan expenditure in April-September

(₹ crore)

		April-September					
NON PLAN EXPENDITURE		**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1.	Revenue Account	141819	172926	187509	229484	301291	328308
	of which Interest Payments	53940	64003	72820	86061	86669	102779
2.	Capital Account	9758	10139	43625*	11145	20779	39962
3.	Total Non-plan Expenditure	151577	183065	231134	240629	322070	368270
		(4.2)	(4.4)	(4.9)	(4.5)	(5.2)	(5.3)
4.	BE for the full year	370847	391263	475421	507498	695689	735657
5.	**Item 3 as percentage of item 4**	**40.9**	**46.8**	**48.6**	**47.4**	**46.3**	**50.1**

* *This includes onetime expenditure of ₹ 35,531 crore on account of payment to RBI for acquisition of its stake in SBI.*

Note: Figures in parenthesis are percentage of GDP.

2.22 Higher expenditure on certain onetime items (as explained earlier) along with higher plan revenue expenditure have resulted in higher growth in overall expenditure during the first half of 2010-11. The pace of growth in overall expenditure is likely to moderate in the second half of 2010-11. Expenditure on interest payments, defence services, pensions, major subsidies and grants and loans to States taken together and amounting to ₹ 2,78,616 crore continue to appropriate a high proportion of total non-plan expenditure at 75.7 per cent during April-September 2010.

Resources transferred to States/UTs

2.23 Against the BE of ₹ 3,68,974 crore for transfer to States/UTs, the actual resources transferred to States/UTs up to September 2010 are ₹ 1,67,446 crore constituting 45 per cent of BE 2010-11 compared to ₹ 1,28,192 crore (41 per cent of BE) transferred during the corresponding period in the previous financial year. Resources amounting to ₹ 1,66,288 crore has been transferred to State Governments and ₹ 1,158 crore has been transferred to UT Governments. This shows growth of 30.6 per cent over H1 of 2009-10.

D. Deficit

2.24 Fiscal deficit for the year is estimated at ₹ 3,81,408 crore amounting to 5.5 per cent of GDP. For the period up to September, 2010 fiscal deficit at ₹ 1,33,252 crore which is 34.9 per cent of B.E.2010-11 (This was 49.3 per cent of BE during 2009-10 and five years moving average for this is 58.8 per cent of BE). With the prevailing trends in receipts and expenditure, it is expected that there would not be any slippage on deficit side compared to the estimates presented in the Budget in February, 2010.

2.25 Revenue deficit for 2010-11 is estimated at ₹ 2,76,512 crore amounting to 4.0 per cent of GDP. During the period April-September 2010 revenue deficit is at ₹ 74,921 crore constituting 27.1 per cent of B.E. 2010-11 (This was 58.4% of BE during 2009-10 and five years moving average for this is 87.2 per cent of BE). Higher than estimated receipts on account of auction proceeds from 3G spectrum and BWA along with higher than estimated tax buoyancy are the main reasons for lower levels of the revenue deficit in comparison to previous years.

2.26 Trends in various deficits as percentage of GDP and as percentage of B.E. up to the Q2 of respective financial years are shown below in Table 2.7:

Table 2.7
Trends in Deficit in April-September

(₹ crore)

	April-September					
DEFICITS	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Revenue Deficit (actuals) (Apr-Sep)	65097	69277	61124	78313	164983	74921
Revenue Deficit (BE)for the full year	95312	84727	71478	55184	282735	276512
Percentage of BE	68.3	81.8	85.5	141.9	58.4	27.1
Percentage of GDP	1.8	1.7	1.3	1.5	2.6	1.1
Fiscal Deficit (Actuals) (Apr-Sep)	83843	86461	81200	102654	197775	133252
Fiscal Deficit (BE) for the full year	151144	148686	150948	133287	400996	381408
Percentage of BE	55.5	58.2	53.8	77.0	49.3	34.9
Percentage of GDP	2.3	2.1	1.7	1.9	3.2	1.9
Primary Deficit (Actuals) (Apr-Sep)	29903	22458	8380	16593	111106	30473
Primary Deficit (BE) for the full year	17199	8863	-8047	-57520	175485	132744
Percentage of BE	173.9	253.4	-104.1	-28.8	63.3	23.0
Percentage of GDP	**0.8**	**0.5**	**0.2**	**0.3**	**1.8**	**0.4**

Financing of deficit

2.27 The deficit of ₹ 1,33,252 crore on Consolidated Fund of India and increase of ₹ 35,583 crore in Cash Balance (including investment of ₹ 31,819 crore) were financed by raising Internal Debt of ₹ 1,43,250 crore, External Assistance of ₹ 11,961 crore and ₹ 13,624 crore from Public Account surplus cash.

Gross and net market borrowings during the first half of 2010-11 amounted to ₹ 2,84,000 crore and ₹ 2,00,966 crore respectively, accounting for 62.12 per cent and 58.25 per cent of the estimated market borrowings for the year. During the corresponding period of the previous financial year, gross and net borrowings accounted for 65.4 per cent and 65.8 per cent, respectively. The weighted average maturity of dated securities issued at the end of Q2 of the fiscal year 2010-11 (Apr-Sep) at 11.25 years was higher than 10.94 years during the corresponding period of the previous year. The weighted average yield of dated securities issued during the same period increased to 7.8 per cent from 7.1 per cent. This increase in the borrowing cost has to be seen in the context of change in monetary policy stance of RBI as well as higher rate of inflation in the economy. Details of financing of deficit at the end of first half in 2010-11 and 2009-10 are shown below in Table 2.8:

Table 2.8
Financing of Deficit

(₹ crore)

	April-September-10	April - September-09
Fiscal Deficit	133252	197775
Sources of Financing		
1. Internal Debt	143250	260669
(a) Market Loans & Short Term Borrowings	187499	290919
(b) Treasury Bills (14 days)	-26760	-14813
(c) Compensation and Other Bonds	-2249	-8463
(d) Others	-15240	-6974
2. External Assistance including Revolving fund	11961	2974
3. Cash Draw Down Decrease(+)/ Increase(-)	-3764	-33761
4. Investment of Surplus Cash(-) / WMA/ disinvestments(+)	-31819	-33781
5. Borrowings(-)/Surplus(+) on Public Account*	13624	1674

** Includes Suspense & Remittances.*

Cash Management

2.28 The year 2010-11 commenced with surplus cash position of ₹ 100 crore and investment surplus of ₹ 18,181 crore. At the end of second quarter, the Government had an investment of ₹ 50,000 crore and cash balance of ₹ 12,119 crore.

Market Stabilisation Scheme

2.29 The accumulation under Market Stabilization Scheme (MSS) at the end of March 2010 (Provisional) was ₹ 2,737 crore. The Government repaid the entire amount of ₹ 2,737 crore (net) under this scheme during current year up to September 2010. There was no net accretion under the scheme during the first half of 2010-11.

National Small Savings Fund

2.30 Net accretion under National Small Savings Fund (NSSF) is showing higher growth in the first half of fiscal year 2010-11 when compared to 2009-10. At the end of second quarter, net accretion has increased from ₹ 10,997 crore in 2009-10 to ₹ 30,570 crore in 2010-11.

E. Assessment vis-a-vis mid year FRBM benchmarks

2.31 Under Rule 7 of the FRBM Rules, 2004, Government is required to take appropriate corrective measures in case the outcome of the second quarter review shows that:

I. The total amount of non-debt receipts are less than 40 per cent of budget estimates for that year; or

II. The fiscal deficit is higher than 45 per cent of the budget estimates for that year; or

III. The revenue deficit is higher than 45 per cent of the budget estimates for that year.

The performance in the first half of the fiscal year 2010-11 meets all the targets in respect of the benchmark of non-debt receipts, fiscal deficit and revenue deficit. This is the first time after the implementation of FRBM Act, 2003 and FRBM Rules, 2004 that outcome of the Q2 in respect of the above mentioned targets are within the prescribed limits. The details are shown in Table 2.9 below:

Table 2.9
Outcome versus mid-year benchmarks under FRBM rules

Variable	Performance benchmarks under FRBM Rules	April-September			
		2010	2009	2008	2007
Total Non-Debt receipts	Not less than 40 percent	55.6	40.5	39.9	44.7
Fiscal Deficit	Not more than 45 per cent	34.9	49.3	77.0	53.8
Revenue Deficit	Not more than 45 per cent	27.1	58.4	141.9	85.5

F. Conclusion

2.32 Fiscal performance during the first half of 2010-11 has been in line with the budget estimates presented in February 2010. The uncertainties prevailing in the global economy at that point of time was a risk factor, while government embarked on the fiscal consolidation path. Better than estimated performance during the first half has reinforced the belief in the strategy adopted for fiscal consolidation with calibrated exit from expansionary measures.

2.33 Based on the latest trends in receipts and expenditure, government has tweaked the market borrowing programme for the second half of 2010-11 and the overall market borrowings from dated securities have been reduced by ₹ 10,000 crore from the estimated level of BE 2010-11. In a developing country like India, the need for further investment in physical and social infrastructure is immense. However, the provisions in Budget for the same have to factor in the availability of resources. It was in this context that allocations for expenditure in BE 2010-11 were made without exceeding the fiscal deficit target of 5.5 per cent of GDP. Initially, the Budget for 2010-11 had estimated the level of non-tax revenues on the lower side. With greater resource availability from this source, headroom for higher outlays on certain priority sectors was available and consequently the government has decided to increase allocation for certain sectors in the First Supplementary Demands for Grants which include rural infrastructure (Rs.7,000 crore for PMGSY); Implementation of Right to Education Act (Rs.4,000 crore); Plan Assistance to States (Rs.6,379 crore) etc. But this should not give the impression that the government has deviated from the committed path of fiscal consolidation. The government is fully committed to gradual reduction in fiscal deficit and accordingly fiscal deficit for 2010-11 will not exceed 5.5 per cent of GDP.

CHAPTER III

OUTLOOK AND SELECTED ISSUES

The very rapid 8.9 per cent growth in GDP recorded in the first half of 2010-11 raises the possibilities of a faster recovery to the pre-crisis levels. Faster growth is expected to continue in the third and final quarters of the current fiscal year, as agriculture recovers sharply from last year's drought—with ample and normal countrywide average rainfall, much more remunerative prices to farmers, and a sharp rise in crop yields—and as inflation starts to fall and is expected to continue to decline. Both, in turn, will boost demand in rural and urban areas and improve investor confidence. In light of the above factors, it is estimated that growth in 2010-11 will be 8.75±0.35 per cent. The range indicates the possibility of crossing the nine per cent mark this year itself; but is wider than the earlier estimate owing to higher risk factors, which includes the economic situation in the Euro area turning for the worse with heightened risk from the Irish, Portuguese and Spanish economies.

3.2 Uncertainty in the global economy, nevertheless, will likely persist. Growth continues to be slow in the United States and Europe, with their consumers adjusting to high unemployment and their governments' fiscal position having deteriorated. Against this setting, the G-20 meetings concluded with some broad agreements but without clear next steps—as different countries face differing challenges. Monetary authorities in the United States announced a second quantitative easing in an attempt to revive their economy, but this will increase volatility of capital flows to emerging markets; Europe faced renewed concerns about the fiscal situation in some of its member countries; while emerging markets, such as India, China and Brazil, continued to be the fastest growing economies, helping global recovery, but faced domestic price pressures. Analysts expect continued high primary commodity prices. The Food and Agriculture Organization's (FAO) food index (tracking the wholesale prices of wheat, corn, rice, oilseeds, dairy products, sugar and meats) has increased in 2010 to levels last seen at the peak of the 2007-08 crisis. This heightened volatility abroad inevitably affects the Indian economy, slowing external demand and raising domestic price pressures. But prudent fiscal and monetary measures will shield the Indian economy from external shocks and help maintain stable growth.

3.3 In the medium to long term, sustaining the growth momentum and raising it further to the double-digit levels that the Economic Survey 2009-10 had raised as a possibility will require strengthening two main areas. This will also help spur growth in jobs. First, some key macroeconomic challenges must continue to be addressed. This includes the next steps in fiscal consolidation, looking beyond immediate targets and with a focus on the nature of fiscal adjustment; and dealing with external capital inflows that have begun posing some adjustment challenges in fast-growing emerging economies. Second, there are some structural areas where ongoing reform initiatives may need to be deepened and public services improved: (a) accelerating capacity in key infrastructure and core industries, which also entails dealing with financing issues in view of large investment needs; (b) focusing on universalisation of elementary education and improvement in its quality to raise transition and retention at middle school and secondary levels on the one hand, and upgrading vocational skills of the workforce on the other to improve job opportunities and productivity and thereby reap the demographic dividend in full measure; (c) focusing on the sustainability of growth which may need a focus on climate change and the use of cleaner technologies in the process of economic development. These areas are discussed further in the rest of this chapter.

(i) Macroeconomic issues

A. Fiscal consolidation : Next steps

3.4 The overarching objectives of fiscal consolidation are to promote growth, maintain macroeconomic stability, and achieve intergenerational equity in fiscal management. These objectives are sought to be achieved through reduction in the fiscal deficit, elimination of revenue deficits and lower levels of debt-GDP ratio. To obviate the adverse impact of higher fiscal deficit on the macro economy (high fiscal deficit is higher growth foregone), the level of the fiscal deficit- GDP ratio must be limited. Fiscal responsibility legislations put this at 3 per cent of the GDP for the Centre and 3 per cent of the Gross State Domestic Product (GSDP) for the States. Another important aspect of the process of fiscal consolidation has been adherence to the 'golden rule' principle which stipulates that current consumption should be financed by current taxes and borrowings should be for capital expenditure (investment), which would have a revenue stream to finance its way through the years. In India, as revenue deficit is close proxy for current deficit, elimination of the former is a key target. A third important target is to reduce the level of the debt-GDP ratio and the FRBM Rule of the Centre envisages an annual incremental debt assumption target for this purpose.

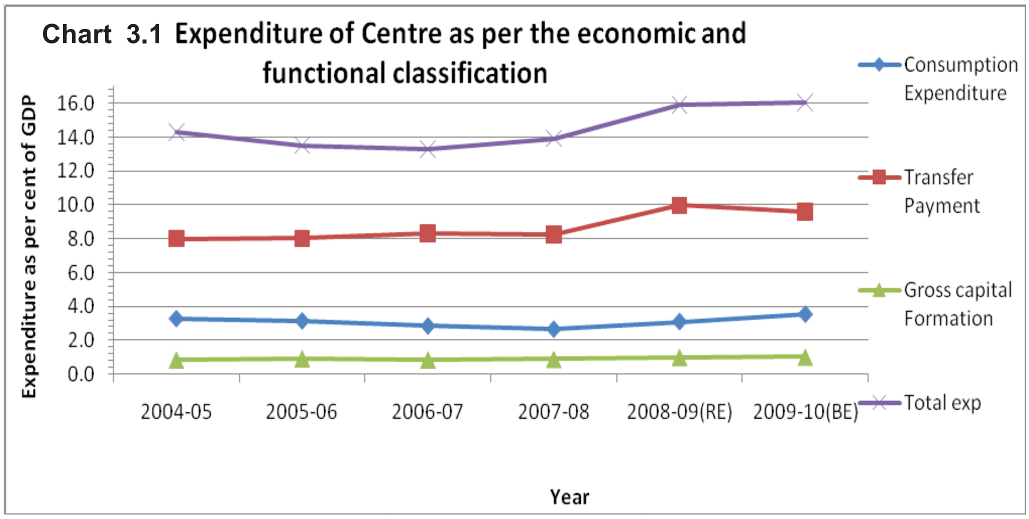
3.5 The Budget for 2010-11 had initiated the first steps in the process of resumption of fiscal consolidation through a partial rollback of the stimulus measures. The MTFPS envisages a decline in the fiscal deficit to 5.5 per cent of the GDP in 2010-11 and further to 4.8 per cent in 2011-12 and 4.1 per cent in 2012-13. This is broadly in line with the recommendations of the Thirteenth Finance Commission (ThFC) in the medium term. A sharper correction is envisaged by the ThFC for 2013-14 with the elimination of revenue deficit and attainment of the 3.0 per cent fiscal deficit target (originally envisaged under the FRBMA). The Budget for 2010-11 had indicated that as a part of the fiscal consolidation process a Status Paper on the debt situation would be presented detailing a roadmap for curtailing overall public debt. The Government debt report gives the following roadmap (Table 3.1).

Table 3.1 Roadmap for General Government Debt and Liability

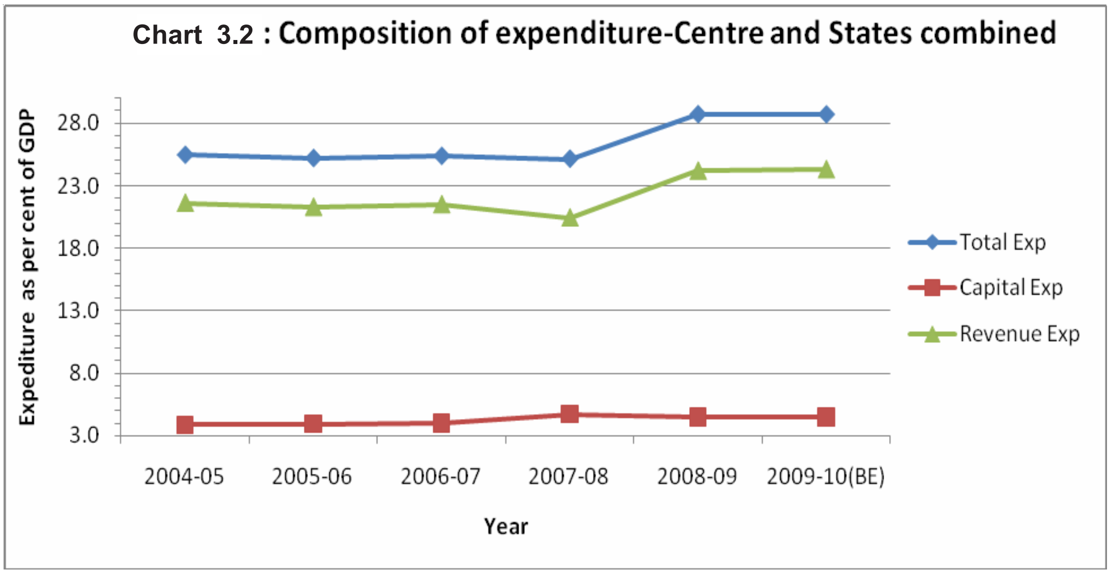
	Estimates					
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1. Central Government Debt[a]	50.5	50.3	49.3	47.6	45.4	43.0
2. State Government Debt[b]	24.8	24.6	24.3	23.9	23.4	23.1
3. Outstanding Central Loans to State Governments[c]	2.3	2.0	1.8	1.6	1.4	1.2
4. General Government Debt (1+2-3)	73.0	72.9	71.8	69.9	67.4	64.9

a net of liabilities under the Market Stabilization Scheme (MSS) and National Small Savings Fund (NSSF) not used for financing Central Government deficit with external debt at current exchange rate.
b net of 14-days Treasury Bills investment.
c The absolute value of outstanding loans has been taken as constant in the coming years.

3.6 In terms of the other important target of revenue deficit-GDP ratio, the ThFC had charted out a path for its reduction, culminating in its eventual elimination by 2013-14. With revenue deficit, however, being high at 2.7 per cent of the GDP in 2012-13 as against a level of 1.2 per cent as envisaged by the ThFC, the MTFPS has indicated a different path. The MTFPS places the estimated revenue deficit at 3.4 per cent of the GDP for 2011-12 and 2.7 per cent for 2012-13. This makes the ThFC's target of elimination of revenue deficit by 2013-14 rather too steep. Besides, when viewed in terms of the FRBM objective of prioritizing capital expenditure, the composition of expenditures of recent years does not provide much comfort (Chart 3.1).



3.7 Of course, in a macroeconomic sense, this is best validated at the level of consolidated General Government (Centre and States combined). As capital expenditure may be classified as revenue in the Central Government accounts in view of it being a grant to States. The position is somewhat better at the Consolidated General Government level (Chart 3.2). Furthermore, to validate the golden rule of fiscal adjustment, the capital expenditure to GDP ratio should be 6 per cent in the year of elimination of revenue deficit by the Centre and States and equal to or higher than the fiscal deficit.



Another important indicator of fiscal adjustment is improvement in the quality of expenditure which is denoted by the proportion of revenue deficit to fiscal deficit and the proportion of capital expenditure to total expenditure of the Centre and States combined (Table 3.2) . On both counts, there has not been much improvement over the years.

Table 3.2 : Quality of fiscal deficit and expenditure of Centre and States

	As per cent of GDP					
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09 (RE)**	**2009-10 (BE)**
1. Revenue deficit	3.5	2.5	1.2	0.1	4.1	4.9
2. Fiscal deficit (Gross)	7.1	6.4	5.1	4.0	8.5	9.4
3. Revenue deficit/ Fiscal deficit (%)	49.2	39.5	23.1	2.0	48.2	52.2
4. Capital Expenditure/ Total Expenditure (as per cent to GDP) (%)	15.2	15.6	15.6	18.8	15.6	15.6

***Source** : Indian Public Finance Statistics, 2009-10.*

3.8 As a proportion of the GDP, fiscal consolidation in the post FRBMA period till 2007-08 relied on reduction in expenditure and revenue growth in almost equal measure. Going forward, in the medium term, there is need to reduce the levels of total expenditure-GDP ratio on the one hand (including reprioritization of expenditure) and achieve a higher tax-GDP ratio on the other. The need for reduction in the levels of indirect taxes in India is well recognized for the competitive dividends that it offers in the globalized world. As such, longer-term fiscal consolidation at the Consolidated General Government level should rely more on expenditure compression.

3.9 While the foregoing broadly summarizes the challenge ahead in terms of fiscal adjustment numbers and its composition, what is equally important is the nature of fiscal adjustment. There are two ways of reaching the desired outcomes: through reduction in growth in expenditure and a higher growth in revenues in relation to nominal GDP growth or through a reform-based process focused on outcome in expenditure and through deepening tax reforms. Fiscal adjustment based on incremental adjustment is useful in the short run (like rough-and-ready measures of arbitrary expenditure cuts at revised estimates stage every year); but longer and more enduring fiscal consolidation requires reforms in governance. The Budgets for 2009-10 and 2010-11 have taken key initiatives in this regard with: disinvestment focused on broad-based ownership of public-sector units (PSUs); move towards a nutrient-based fertilizer subsidy regime culminating in direct transfers to farmers at a later date; a flexible petroleum pricing policy with levels of subsidy calibrated to international crude prices; public expenditure management; a new Direct Tax Code; and progress towards a goods and services tax. Reforms in each of the major heads of expenditure need to continue.

Box 3.1 : Using disinvestment proceeds

The disinvestment of Government equity in Central Public Sector Enterprises (CPSEs) began in 1991-1992. Till 1999-2000, it was primarily through sale of minority shares in small lots. From 1999-2000 till 2003-04, the emphasis changed in favour of strategic sale viz. sale of a large block of shares along with transfer of management control to a strategic partner identified through a process of competitive bidding. After 2004-2005, disinvestment realisations have been through sale of small portions of equity of CPSEs, while retaining at least 51% shareholding and management control, with the objective of developing people's ownership to share in the wealth and prosperity of CPSEs, improving corporate governance, transparency, accountability and performance of the enterprises and allowing greater price discovery of the assets.

Following the present strategy, in the current year sales of shares in S.J.V.N. Limited, Engineers India Limited, Coal India Limited and Power Grid Corporation of India Ltd. have been completed and Government has realized Rs.20,943 crore. It has announced its intent to similarly divest shares in Manganese Ore India Ltd on 26th November, 2010, Shipping Corporation of India on 30th November, 2010. SAIL and oil majors ONGC and IOC are likely to hit markets in the last quarter of this fiscal year. The overall goal is to raise some Rs. 40,000 crore through sale of minority shares in PSUs in this current fiscal year. This compares with total proceeds from disinvestment between 1991-1992 and 2008-2009 that amounted to some Rs.58,000 crore.

How will these funds be used? The Government in 2005 created the National Investment Fund (NIF) to meet the criticism of disinvestment proceeds being used to fill the fiscal deficit. The NIF receives proceeds from the sale of minority shareholding of the Government in profitable CPSEs and is maintained outside the Consolidated Fund of India. The income from the Fund is used for the following broad investment objectives: (a) three-quarters of the annual income from the Investment in social sector projects which promote education, health care and employment; (b) remaining one-quarter is used to meet capital investment in selected profitable and revivable public sector enterprises that yield adequate returns in order to enlarge their capital base to finance expansion and diversification. In 2009, given the effects of the global economic crisis and drought, the Government approved (on 5th November, 2009) a one-time exemption permitting full utilization of disinvestment proceeds deposited in the NIF, from April

2009 to March 2012, in meeting the capital expenditure requirements of selected social sector programmes decided by the Planning Commission and Department of Expenditure. The *status quo* will be restored from April 2012. However, the present corpus of Rs. 1814.45 crore of NIF remains untouched.

The Government's divestment programme is proving to be a success, much more than earlier anticipated. With rising domestic stock markets and investor appetite for PSU shares, revenues have been higher with very over-subscriptions. The process has been managed transparently, gaining credibility. And the proceeds are being used judiciously, and not to finance deficits. A temporary change in the NIF rules has also permitted the Government to manage its financing of special programmes. The NIF is a sound idea, and has several features common with other "sovereign wealth funds"; except that in the case of India, incomes are expected to be used for domestic investments, which is the appropriate choice given vast unmet needs. The proceeds from Coal India and other public issues are expected, for example to be utilized as grants in aid to States for the JNNURM, Accelerated Irrigation Benefit Programme, Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Accelerated Power Development Reform Programme, Indira Awas Yojana and Mahatma Gandhi National Rural Employment Guarantee Scheme.

Given significant receipts, the idea of saving the proceeds in dedicated funds is a sound idea. Other significant similar proceeds this year have also originated from 3G spectrum and broadband wireless sales, which amounted to over Rs. 1,06,000 crore (compared to budget estimates of Rs. 35,000 crore). A related process may be to eventually allow the build-up of such assets in years where cyclical revenue gains or similar gains from sales of assets or other sources are large, and running them down faster in times of cyclical downturns or other circumstances—allowing greater room for counter-cyclicality in fiscal policy. Other countries, such as Chile, have operated such stabilization funds to manage their fiscal policy better, while drawing on such funds for unexpected needs, such as after its recent earthquake. Nevertheless, given structural deficits in India which remain large, this approach will be more feasible after the deficits are reduced from current levels, as planned under the path of fiscal consolidation.

B. Surge in capital flows

3.10 The Indian economy has done one of the quickest turnarounds after the global financial crisis. The International Monetary Fund (IMF) has projected a 9.7 per cent growth for India in 2010-11. The Indian economy is therefore expected to continue to be one of the fastest growing economies in the world, which is testimony to its strong macroeconomic fundamentals built over the years.

3.11 Capital flows came into sharp focus during the financial turmoil of 2008-09, when the country experienced sharp reversal of capital flows (net outflows of FIIs of US$ 15 billion), which affected stock markets and strained exchange rates. However, with recovery setting in during 2009-10, the trend reversed and India became a major recipient of capital in 2009-10 and 2010-11 (up to September 2010). The sovereign debt crisis in the Euro zone provided a temporary setback, as net portfolio flows turned negative in the month of May 2010, before rebounding in the following month. As things stand, FII inflows into India this year are higher than ever before. To the extent that this has not caused a sharp appreciation of the rupee, it reflects the growing strength of the economy and its capacity to absorb investment.

3.12 Both national and international factors have been responsible for the surge in capital flows. Strong economic fundamentals, i.e. a high growth rate, macroeconomic stability and a stable policy regime, are the domestic factor attracting foreign capital flows to India. Easy monetary policy in terms of ultra low interest rates and successive rounds of quantitative easing in most advanced economies is also driving capital in search of higher yields to emerging economies like India.

3.13 The surge in capital flows is also contributing to "currency wars", a term being used to refer to competitive devaluation to increase exports. With foreign exchange inflows putting pressure on the exchange rates, many emerging economies are intervening in the foreign exchange market to avoid loss of export competitiveness. Some are intervening directly in the market through capital controls, using some variant of the Tobin tax to slow down the inflow of capital. Some have resorted to new capital account controls. Others are buying dollars to check appreciation of the domestic currency. Buying of foreign exchange, however, is not a remedy as it raises liquidity in the system, increasing inflationary expectations and putting pressure on the interest rates. Higher interest rates attract more capital, thereby setting a vicious circle in motion.

Box 3.2: Do capital controls work?

Emerging markets, facing a surge of capital inflows, are beginning to impose tighter capital controls to help prevent boom-bust cycles, domestic asset price bubbles and a sharp appreciation of their currencies. For example, on October 18, 2010 Brazil tripled its financial transaction tax (*impostosobre operacoes financeiras* or IOF) on foreigners' portfolio flows into fixed-income securities to 6 per cent (previously at 4 per cent and earlier at 2 per cent) to slow the real's rise. In South Korea, the finance ministry has just announced that the government will back legislation reinstating a 14 per cent tax on interest income from treasury and central bank bonds and a 20 per cent capital gains levy on their sale, to prevent further appreciation of the won. Thailand is ceasing a 15 per cent foreigners' tax exemption on income from domestic bonds, while Taiwan earlier this month has restored curbs on foreign investment in debt instruments. Others too are mulling similar options.

But do they work? From a policymakers' perspective, the idea of Tobin tax-like measures is to slow short-term capital inflows into debt instruments that are seeking to maximize short-term returns, while encouraging longer-duration and/or risk- bearing inflows such as foreign direct investment and even portfolio flows into stock markets. Opposing this, some analysts suggest that given sophisticated swap and other instruments available in financial markets, these measures (a) are ineffective as investors find ways around them; (b) distort financial markets; and (c) raise costs to borrowers. The strong negative reactions of the financial community, however, do suggest that such controls immediately slow the pace of inflows—as desired (to put some "sands in the wheel"). India's own experience with varying ECB borrowing limits shows similar effects. Recent work at the Inter-American Development Bank (IADB) suggests similar, nuanced results: capital controls work temporarily, but start hampering growth and productivity and cannot fully prevent the flows and therefore need to be complemented by other tools, including macro-prudential financial safeguards. Developing deeper domestic capital markets to facilitate flows into longer-term and risk-bearing assets is another important aspect. Recent initial public offers (IPOs) suggest that the appetite for risk-bearing longer-term investments may be significant. Long-dated bonds for infrastructure are another possibility.

3.14 There was a major revival of capital flows to India to the tune of US$ 53.6 billion (4.1 per cent of the GDP) in 2009-10. In the current fiscal 2010-11, though the net FDI showed moderation the FII flows, after slowing down in the aftermath of the Euro zone debt crisis, have picked up sharply during April-September 2009. Similarly, debt-creating capital flows such as ECBs and trade credits have exhibited a rising trend on account of the high growth of the economy.

3.15 The main implication of such large capital flows to India has been buoyancy in stock markets and appreciation of the rupee vis-a-vis the US dollar. The currency appreciation further encourages capital flows as FIIs often expect this to persist and so to make capital gains due to the appreciating rupee, besides benefiting from the stock market rise. The appreciating rupee can have adverse impact on the earnings of exporters and makes exports less competitive in the international market. It, therefore, has implications for the balance of payments through a widening trade deficit, which was 8.9 per cent of the GDP in 2009-10 and 9.1 per cent in Q1 (April-June 2010) of 2010-11, which has been a matter of some concern.

3.16 The rupee appreciation, however, is beneficial to the extent that it makes imports of oil (around 30 per cent of the total import basket) and machinery/ equipment cheaper. In this respect, domestic currency appreciation is an anti-inflationary tool. There is, however, a danger that appreciation of local currency could lead to cheaper imports at the cost of domestic goods, which may have adverse impact on domestic employment and growth.

3.17 The situation has to be contrasted with 2007-08 and post-Lehman 2008-09, when there was a sharp reversal of capital flows, leading to stock market decline and currency depreciation, with attendant implications for output and employment. It is, therefore, considered imperative for macroeconomic and financial stability to proactively manage the boom and bust pattern of capital flows.

3.18 The surge in capital flows in recent years raises the question whether the inflows are in excess of domestic absorptive capacity, which could lead to overheating of the economy. A related issue is the need to balance the competing objectives of price and exchange rate stability. Together this could also be looked at as the "impossible trinity"- the trilemma of policy choice between price stability, exchange rate stability, and capital mobility.

3.19 With CAD at 2.9 per cent of the GDP in 2009-10 and capital flows at 4.1 per cent of the GDP, the excessive inflows have largely been balancing the high CAD and have, therefore, not been a matter of concern. The capital flows in 2010-11 (up to September 2010) have, however, exhibited further surge, which is reflected in the appreciating rupee and growing stock market, mainly because most of the capital is from FIIs and flows into the stock market.

(ii) Structural Issues

C. Challenges of infrastructure

3.20 Investment in infrastructure is one of the major requirements for sustainable and inclusive economic growth. Extensive and efficient infrastructure is critical for the effective functioning of the economy. The Planning Commission has envisaged an increase in investment in physical infrastructure from the level of 5 per cent of the GDP witnessed during the 10th Plan to about 9 per cent in the 11th Five Year Plan (2007-12). In its Mid Term Appraisal of the 11th Plan, it has estimated that total investment in infrastructure sectors (electricity, roads and bridges, ports, airports, telecommunications, railways, irrigation, water supply and sanitation, storage, and oil and gas pipelines) during the Plan would be about ₹ 20,54,205 crore (about US $ 514 billion). This would take the level of investment in infrastructure to about 8.37 per cent of the GDP in the terminal year or about 7.55 per cent of the GDP during the five-year plan period. The Planning Commission has also projected investment requirement in infrastructure of ₹ 44,99,240 crore (about US $1,025 billion) during the 12th Five Year Plan (2012-17), which would be about 9.95 per cent of the GDP at the projected 9 per cent rate of growth of the GDP .

3.21 Despite the fact that the Government has initiated a host of projects and schemes to upgrade physical infrastructure in all crucial sectors, the existing infrastructure deficit is a huge drag on economic growth. As per the World Economic Forum's 2010-11 Global Competitiveness Index, India is ranked 86th out of 139 countries in quality of overall infrastructure—well below the ranking of China (50th) and Brazil (62nd). Rankings in quality of roads, port infrastructure, and electricity supply are 90th, 83rd, and 110th respectively. Only 1.7 per cent of road network is covered under National Highways catering to about 40 per cent of traffic and barely 14 per cent of the roads are four-laned; major ports have inadequate berths, suffer from draft constraints, and lack efficient rail/road connectivity; airports, especially in Tier II and III cities, have inadequate infrastructure; railways lack modern freight terminals, have slow average freight and passengers speeds, very low payload to tare ratio, and the growth of rail network is lagging far behind the increase in traffic; the power sector has a 14 per cent peaking deficit, 11 per cent energy shortage, and 27 per cent transmission and distribution losses. The progress of rural infrastructure has also not been at the desired pace.

3.22 To accelerate the pace of infrastructure development, certain challenges need to be met. The foremost is to make huge capacity addition in a time-bound manner while ensuring that projects embody value for money and investment results in world class infrastructure. Infrastructure, partly being in the realm of public goods, should at the same time be affordable and sustainable. The second key policy challenge is to supplement budgetary resources by attracting private investment, both domestic and foreign, into infrastructure development. As per the Committee on Infrastructure headed by Deepak Parikh, an investment target of this size poses significant challenge from the availability of financial resources perspective. Channelling domestic and foreign financial savings of this scale into infrastructure requires a judicious mix of policy interventions which balances the growth and stability objectives. The Committee has recommended developing the domestic debt capital market, tapping the potential of the insurance sector, and enhancing the participation of banks, financial institutions and large non-banking financial companies (NBFCs) specializing in infrastructure financing. The following paragraphs illustrate some of the sector-specific challenges in infrastructure.

3.23 To speed up roads and bridges construction, the Ministry of Road Transport and Highways has made several policy and procedural changes. As a result, total works in progress, at any point, are at present about 9000 km as compared to 6000 km about ten months ago. Yet the gap between physical targets and achievement is huge. During the first half of the current financial year only 691 km of roads has been completed as against the target of 2,500 km for the year and contracts and concessions for 3,051 km have been awarded as against the target of 8,724 km. There have been inordinate delays in acquisition of land in some States, mostly due to procedural formalities, court cases, low levels of cooperation from other stakeholders, and delays in disbursement of compensation by the competent authority to affected landowners, although the National Highways Authority of India deposits the compensation amount determined by the competent authority well in advance. There have been considerable delays in getting forest clearances and clearances/approval from the Railways involving construction of railway overbridges. Shifting and rehabilitation of utilities of different types, e.g. electricity lines, water pipelines, sewer lines, and telecommunication lines, takes considerable time. In some States works have been affected because of adverse law-and-order conditions and activities of anti-social groups. Performance of some of the contractors has been very poor. Termination of such contracts often results in long-drawn-out litigation and further delays. Stoppage of work by the local population demanding additional underpasses/bypasses, flyovers, etc. is also frequent.

3.24 Some of these problems can be overcome if projects are awarded on the basis of a transparent and hands-off auction system. In order to raise the efficiency bar and make the tendering process in road projects more effective, there is need to put into effect a transparent well-designed system of auction whereby private developers are made to properly compete with one another with no involvement of the Government. The outcome of this will be to give the project to the developer offering the most cost- effective terms. Everything here depends on the design of the auction system. If this is well designed, the implementing agencies should be able to find developers who will take on the project with internal rates of returns (IRRs) as low as 12, 13, or 14 per cent. To make good-quality road building compatible with the developer's interest and at the same time serve the national interest, an amalgam of Build Operate Transfer (BOT) (toll) and BOT (annuity) methods can be used that provides for up to 10 per cent viability gap funding (VGF) upfront. Then for any VGF over and above 10 per cent and limited to a maximum of 40 per cent, the balance should be converted into an annuity to be paid in equal instalments each year for the next 20 years. Unlike under the BOT (annuity) system, the toll will still be managed and collected by the private developer who wins the bid and therefore the incentives will be aligned. Under this dispensation, given that the developer would continue to receive "annuitized" payments from the Government, it will be in the interest of the developer to maintain the road as he is obligated to do to the Government. Further, since the developer will be collecting toll, he will have a direct interest in maintaining the road. And since he himself will be maintaining the road, by the argument of backward induction it follows that the developer will have an interest in building good-quality roads, for which the maintenance cost is not excessive.

3.25 Creative capacity augmentation in the railways sector is needed as in the past five years goods traffic has increased by above 8 per cent per annum whereas the rail network has been augmented by barely 0.08 per cent. The Ministry of Railways has proposals for capacity augmentation, rolling stock, and dedicated corridors and accordingly projects for construction of a dedicated freight corridor, high-speed rail corridors, world class railways stations, etc. are at different stages of planning and implementation. There is need to streamline the institutional framework for public- private partnership (PPP) projects in the railways sector so as to attract significant private-sector investment. Private-sector investment in the railways sector during 11th Plan is projected to be a dismal 4.14 per cent of total investment. The sector has been able to attract only about ₹ 500 crore of FDI in the past ten years.

3.26 The biggest challenge in the civil aviation sector is to build and modernize infrastructure in pace with the manifold increase in demand. Passenger traffic is projected to grow at 4.6 per cent and air freight at 6.6 per cent per annum in the coming years. By 2020 the sector would need about 100 airports of international standard and a commercial fleet of 1,000 aircraft as passenger traffic is expected to reach 150-170 million (from about 55 million) and air freight to increase to 9 million MT (from about 1.5 million MT). The sector has seen some success in attracting private-sector investment in recent years. The sector needs to upgrade existing non-metro airports, construct greenfield airports, and upgrade communication systems, air traffic management and equipment. The challenge is to replicate successes in awarding BOT concessions and privatization. Private-sector participation is crucial for this sector as private investment is projected to be about 64 per cent of total investment in this sector during the 11th Plan. The role of the newly constituted Airports Economic Regulatory Authority will be crucial for creating a conducive environment for private-sector investment by balancing the conflicting interests of stakeholders in the sector.

3.27 In the port sector, the Government has already put in place a comprehensive National Maritime Development Programme envisaging investment of more than ₹ 1,00,000 crore during 2005-25 focusing on building inclusive maritime infrastructure. During the 11th Plan private-sector investment is projected to cover 80 per cent of investment in the sector. It is expected to channelize into projects for berths and terminal development, deepening of channels, port connectivity, and equipment modernization. However, the challenge is to ensure time-bound implementation of projects as the delay in execution of several projects has resulted in congestion and inadequate infrastructure. Also the focus of public-funded investment need be on commercially non-viable but essential common infrastructure facilities so as to attract private-sector investment into commercially viable projects.

3.28 The challenge for the power sector is to make capacity addition and decongest inter-regional and regional transmission corridors. Capacity addition of about 62,374 MW is expected during the 11th Plan and the target for the financial year 2010-11 is 20,359 MW. This capacity addition is expected to be three times more than the achievement of the 10th Plan but, keeping in view the persistent energy deficit of about 14 to 15 per cent, more efforts are needed. The long-term challenge is to increase the share of non-fossil fuel-based hydro and nuclear power generation. But such projects come with the baggage of environment and rehabilitation issues and project completion takes longer than for thermal-based projects. There is also the challenge of diversifying to non-conventional energy sources such as solar and wind power. The roles of the private sector and States are crucial for the sector. They are expected to invest about 44 per cent and 24 per cent respectively of the total projected investment in the sector during the 11th Plan. To attract more private investment there is need to stabilize the competitive power-trading mechanism and harmonize the open access regulation. Unbundling of state electricity boards and privatization of distribution have so far been slow and the process needs to be expedited. There is also need for an overarching long- term energy sector strategy, with the power sector as one of its pillars, to exploit our resources optimally.

3.29 The telecommunications sector has been successful in achieving tele-density targets ahead of time. With an overall tele-density achievement of 61 per cent (137 per cent urban and 28 per cent rural), the sector has been a success story so far. It has also been highly successful in attracting private investment and generating additional revenues for the Government. Private players are expected to invest about 82 per cent of the total projected investment of ₹ 3, 45,134 crore in the sector during the 11th Plan. The challenge for the sector lies in fulfilling the government's vision of on-demand availability of telephone and broadband facilities across the country. Penetration and quality of rural broadband services are key to removing the digital divide and for provisioning of quality and cost-effective health and education facilities for rural masses. A transparent and consistent policy framework would ensure further growth of the sector.

3.30 Finally, there are several cross-cutting, regional- and local-level challenges. Protection of the environment, cutting of greenhouse gas emissions, and promotion of green technology are challenges on the path to rapid infrastructure development. The policy framework in each sector needs to strike a balance between rapid and sustainable development. The bulk of the budgetary allocation for infrastructure is passed on to the States and local urban and rural bodies by the Centre. Funds, however, often remain underutilized or are utilized inadequately because of inefficient governance and lack of processes and technologies to implement the projects at State or local bodies' level. Tariff structures and user charges for most of the utilities and basic services are too low to attract private-sector investment. Provisioning for upkeep and maintenance of existing facilities is inadequate. Despite the government's emphasis on PPP projects, many States and local bodies lack institutional capacity to award and implement such projects. There is urgent need to create an enabling environment for private investment and improve delivery of public-sector projects at sub-national level.

D. Education: The way forward

3.31 Several initiatives have been seen in the field of education in recent years. This is a continuous process and some of the new proposals for reforms, especially in higher education, have also generated public debate.

Elementary education

3.32 Some important programmes launched earlier, viz. the Sarva Shiksha Abhiyan supported by the midday meal scheme, were intended to ensure provision of elementary education to all children in the 6-14 age group. As a result, the gross enrolment ratio (GER) (defined as the total enrolment of students at primary, secondary, or tertiary level, regardless of age, expressed as a percentage of the corresponding eligible official age population for all three levels) has increased to 114.61 per cent at primary level and 77.5 per cent at upper primary level in 2007-08 as compared to 96.3 per cent and 60.2 per cent respectively in 2001-02. The dropout rate at primary level has come down to 25.55 per cent in 2007-08 from 39 per cent in 2001-02. The focus is now on improvement of the quality of learning. The Economic Survey 2009-10 highlighted some of the findings of the Annual Status of Educational Report facilitated by Pratham, a non-governmental organization, which include low reading and maths standards among rural students in Standard V. Hence continued focus on this goal is necessary.

Secondary education

3.33 Universalization of secondary education is the other important goal in view of the fact that there is an increase in the number of students moving upward from elementary education to secondary level. The goal of universal access by 2017 and universal retention by 2020 has been sought to be achieved through the Rashtriya Madhyamik Shiksha Abhiyan, which focuses on increasing enrolment at secondary level by strengthening existing schools, opening new secondary schools, and appointment of teachers. Setting up of 2,500 model schools on PPP basis needs to be monitored vigorously so as to remove the hurdles in the way of implementation of this innovative mode of education.

Higher education

3.34 Studies like "The India Competitiveness Review 2009" by the World Economic Forum show that only one out of ten Indians attends college or university, while three out of four Russians and one out of four Chinese receive tertiary education. Only Vietnam and Pakistan have lower college enrolment rates than India. So the Government aims to increase the GER in higher education from 12.4 per cent to 15 per cent by the end of the 11th Plan and 21 per cent by the end of the 12th Plan. Besides creation of new institutions, various reforms have also been proposed in higher education. These include proposals for establishing the National Commission for Higher Education and Research (NCHER) as an overarching regulatory body for higher education; a mandatory accreditation system to ensure quality assurance and certification of institutions and programmes of study, and entry and operation of foreign providers in education. It is proposed to subsume the roles of the University Grants Commission, All India Council for Technical Education, and other similar regulatory bodies under the NCHER.

3.35 While new central universities have been established in states having none and new technical education institutions like IITs/IIMs are coming up, adequacy of teachers, both in numbers and quality, remains a cause for concern. Universities need to be reoriented to the changing situation and demands in the job market. Many universities are simply out of touch with modern systems. Quality of education and demand-supply mismatch are other issues. While a select number of institutions in the country do offer world-class education, in most institutions the quality of education is quite unsatisfactory without a continuous effort to upgrade standards, teaching methods, content of learning, and quality of teachers. There is also a serious mismatch between institutional output and the demand in the market. In some areas there is a surplus, whereas in many others, shortages are felt. There are some serious mismatches among states. For example, there is high demand for medical and engineering colleges/seats in Delhi. But there are few medical colleges and new colleges do not come up despite the potential for many institutions/hospitals to set up medical colleges. Neighbouring states are capitalizing on this situation.

3.36 A viable financing model, with a mix of public and private participation is necessary since India needs large investments in the higher education sector. In order to raise investments, there is ample scope for raising the levels of fees. For students belonging to weaker sections, there can be provision for financing grants which could be repayable after these students start earning so as to ensure sustainability of the system.

3.37 At the same time, a sound regulatory framework with transparent rules and a stringent accreditation mechanism is also needed. There is also need to see that foreign educational institutions do not misuse the system. This is possible if they have low stakes in the overall system and make minimum investment in infrastructure and faculty. They should be encouraged to fund their Indian campuses for sensitive, cutting-edge research.

3.38 The NCHER will seek to avoid the multiple controls and regulations exercised by the Central and State Governments and statutory bodies which arise from the Constitution of India placing education under the concurrent list.

Right of Children to Free and Compulsory Education Act, 2009

3.39 The Right of Children to Free and Compulsory Education Act, 2009 has come into force from 1 April 2010, making free and compulsory education a right for every child in the age group of 6-14 years. The important issue here is of financing needs. Innovative models are necessary considering the fact that Government resources may themselves be insufficient and need to be supplemented.

3.40 While some big corporate houses have been involved in education philanthropy as part of their corporate social responsibility, many other companies would be eager to enter this field for the profits it promises. The Government stated position is that schools can be run only as non-profit trusts. However, it appears that private schools are actually making huge profits at present also. It is, therefore, advisable to discontinue with the non-profit trust requirement and allow schools to be profit making. At the same time, a regulatory structure can ensure a certain fixed quota of students from weaker sections be enrolled in these schools. Such a system, if strictly regulated and enforced, would encourage competition, be transparent and inclusive, and at the same time ensure the much-needed supplementary capital in this field.

Vocational education

3.41 Vocational education should be tailor-made to meet the needs of the major industries/ services. The ongoing skill development programme being implemented in the country on a mission mode basis is focused on this objective; what is needed is acceleration in the outcomes.

E. Climate change

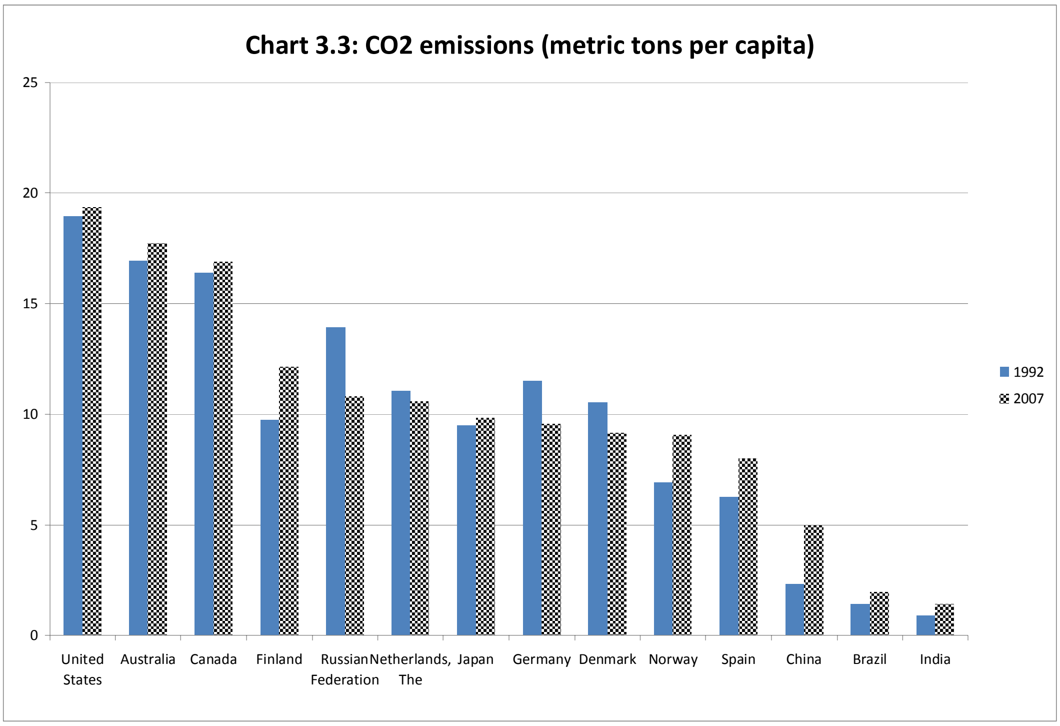
3.42 Anthropogenic climate change due to the build-up of greenhouse gases (GHG) in the atmosphere and consequent global warming is now widely recognized as one of the most worrying fallouts of human progress. However, climate change itself is considered a complex policy issue with major implications in terms of finances to address mitigation of GHG emissions on the one hand, and cope with the adverse impacts of climate change on the community and population, eco-system, and economy and livelihood concerns on the other.

International response

3.43 The earth's atmosphere is a common resource for all humankind. Equity considerations would suggest that every human being have an equal right to use it within an overall global sustainability limit. But climate change and the attendant socio-political issues have been accentuated by reckless and inequitable use of this common resource over a long period of time. The United Nations Framework Convention on Climate Change (UNFCCC) agreed upon by the international community in 1992 to address the problem posed by climate change calls upon all countries to take action according to the principle of "equity and common but differentiated responsibilities and respective capabilities". The Convention has laid down legally binding commitments on developed countries to provide financing to developing countries for sustainable development taking into account their historical responsibilities for the accumulation of GHGs in the atmosphere. As per the Convention, economic and social development and poverty eradication are the first and overriding priorities for developing countries. Therefore, any discussion of a global goal of limiting the temperature increase or emissions reduction should be preceded by a paradigm for equitable access to global atmospheric resources that determines the development space of nations.

Global Greenhouse Gas emissions

3.44 As per the data tables of Earth Trends of the World Resources Institute, the global GHG emissions[1] for the year 2000 stood at 33, 309 million metric tonnes CO_2 equivalent. The USA ranks first in terms of GHG emissions followed by China. India ranks fifth. It is interesting to note that the major countries in terms of emissions are also major economies. Developing countries such as China and India rank in the top five due to their sheer size and large population. Their per capita emissions are much lower. A look at the recent cross-country data (Chart 3.3) reveals that per capita CO_2 emissions of developing countries including India are still very low compared to those of industrialized countries. India's per capita CO_2 emissions stood at 1.43 tonnes , Brazil's at 1.94 tonnes, and China's at 4.95 tonnes during 2007, whereas those of the USA and Australia stood at 19.34 tonnes and 17.73 tonnes respectively.



***Source**: World Development Indicators, World Bank*

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1 Total emissions of all GHGs include CO_2 from fossil fuels and cement manufacture plus emissions of methane, nitrous oxide, and fluorinated gases.

3.45 As per the latest assessment carried out by the Indian Network for Climate Change Assessment, net GHG emissions (including land use, land use change, and forestry sector) from India in 2007 (CO_2, CH_4, and N_2O) were 1727.71 million tonnes of CO_2 equivalents, compared to 1228.54 million tonnes of CO_2 equivalents in 1994 representing a compounded annual growth rate of 2.9 per cent. GHG emissions from the energy, industry, agriculture and waste sectors constituted 58 per cent, 22 per cent, 17 per cent, and 3 per cent of the net CO_2 equivalent emissions respectively.

Current international negotiations

3.46 The global community is now actively debating and discussing what lies ahead and how to enhance the implementation of the Convention (UNFCCC).This discussion is along two tracks. One of the tracks is a comprehensive process called the Bali Action Plan launched at the 13th session of the Conference of Parties (CoP) to the UNFCCC at Bali in December 2007 to enable full, effective, and sustained implementation of the Convention through Long Term Cooperative Action, now, up to, and beyond 2012. The second track consists of the work entrusted to the Ad-hoc Working Group under the Kyoto Protocol for finalizing the emissions reduction targets of the developed (Annex 1 of UNFCCC) country parties for the second commitment period beyond 2012. The 15th CoP held at Copenhagen in December 2009 has made some advances including political understanding in the form of the Copenhagen Accord. However, the Accord was only noted by the Parties. There are a number of critical areas where consensus is yet to be built—specifically those relating to equity, burden sharing, and provision of financial resources. The outcome of the process launched in 2007 would be presented at the 16th session of the CoP being held at Cancun, Mexico, from 29 November to 10 December 2010. India and other developing countries have been emphasizing that the process should be open, transparent, inclusive, Party-driven, and based on consensus.

Climate change financing

3.47 One of the pillars of the ongoing multilateral negotiations is climate change financing; others being mitigation, adaptation, and technology transfer. At the end of the day, the debate on climate change, though focused upon primarily as an environmental issue, boils down to a debate on economic costs and economic development. Explicit actions normally required to address climate change such as the mitigation of GHG emissions, adaptation, development of environment-friendly technologies, and research and development involve considerable economic costs. Little wonder, therefore, that financing remains at the core of climate change discussions.

3.48 As per Article 4.3 of the Convention, provision of financial resources to address climate change in developing countries is a commitment/obligation of developed country Parties. India and other developing countries have strongly supported the establishment of a “new fund” under the UNFCCC and demanded that public funding provided by developed countries through assessed contribution should be the primary source of this fund. Apart from finance, other elements such as ambitious emission reduction targets by developed countries, technology support from developed countries to developing countries, especially for adaptation, and equitable access to sustainable development should be central to the international agreement on climate change.

Projected funding needs

3.49 The range of estimates in respect of funds required for addressing climate change is wide but they all clearly point to the enormity of needs. The UNFCCC has estimated a requirement of US$ 200-210 billion in additional investment in 2030 to return GHG emissions to current level. Further, additional investment needed worldwide for adaptation is estimated by the UNFCCC to be US$ 60-182 billion in 2030, inclusive of an expenditure of US$ 28-67 billion in developing countries. Mobilizing resources of such magnitude to address climate change poses a huge challenge. Developing countries including India have been arguing that a global mechanism for generating and accounting for additional resources, mainly from public sources, is essential to meet long-term finance for adaptation and mitigation. There should be a multilateral financial mechanism under the Convention that should be set up with resources provided by developed countries on the basis of assessed contributions. While we look forward to an ambitious and comprehensive outcome of the negotiations at Cancun, there has been very little progress so far even on fast-start finance of $30 billion, now and up to 2012, committed under the political understanding noted in the Copenhagen Accord. Fulfilment of this promise will be key to successful outcomes at Cancun.

India's Actions

3.50 On its part, India is actively and constructively engaged in the multilateral climate change negotiations. India has always believed in and tried to follow a path of sustainable development. As a developing nation struggling to pull millions of people out of poverty, India cannot accept binding commitments for cutting emission of GHGs. Improvement in human development would not be possible without increase in energy consumption. Further, developing counties like India have to bear a disproportionate and abnormal burden in terms of costs of adaptation to adverse consequences of climate change. However, Central Government has continuously addressed the relationship between poverty alleviation, economic growth, and environmental conservation in an organized structure of policies, regulations, programmes, and institutions for realizing sustainable development.

3.51 India has already announced a number of ambitious measures; as a result of which it has been on the path of sustainable development even with huge development imperatives.

(a) The National Environment Policy 2006[2] underlines that "while conservation of environmental resources is necessary to secure livelihoods and well being of all, the most secure basis for conservation is to ensure that people dependant on particular resources obtain better livelihoods from the fact of conservation, than from degradation of the resource".

(b) India has detailed an ambitious National Action Plan on Climate Change[3] with various focused national missions, with the objectives of enhancing the sustainability of India's development path while addressing climate change as a co-benefit.

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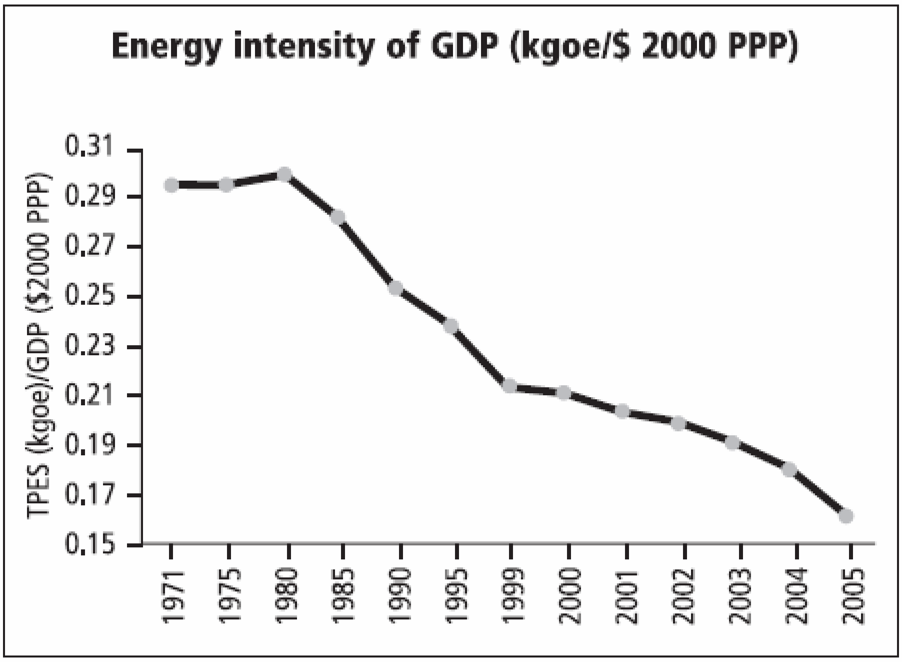
2 National Environment Policy 2006, GoI

3 National Action Plan on Climate Change , 30 June 2010

(c) One of the interesting findings of the Report, "India's GHG Emissions Profile: Results of Five Climate Modelling Studies" has been that India's estimated per capita emissions in 2020 are expected to be well below those of developed countries, even with aggressive GDP growth over the next two decades[4].

(d) India already has one of the lowest emissions intensity of the economy. Emissions intensity of India's GDP has declined by more than 30 per cent during the period 1994-2007. This is clearly an indication of the efforts and policies pursued domestically[5]. The trend of India's energy intensity of the economy since 1971 based on International Energy Agency data is depicted in Chart 3.4.

Chart 3.4



***Source**: National Action Plan on Climate Change*

(e) India has already declared that its per capita emissions would never exceed those of developed countries.

(f) India has now announced that it will endeavour to achieve a further emissions intensity decline of 20-25 per cent on 2005 levels by 2020.

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4 India's GHG Emissions Profile: Results of Five Climate Modelling Studies, Climate Modelling Forum, India supported by MoEF, GoI, September 2009.

5 India: Greenhouse Gas Emissions 2007 - MoEF, GOI, May 2010.

(h) Adaptation to climate variability has been integral to India's development process. India spends over 2.6 per cent of its GDP every year on development measures with strong adaptation content like cyclone warning and protection, coastal protection, flood control, drought relief, and rural infrastructure.

3.52 While we continue to take domestic actions through domestic resources, it is necessary for India to reiterate at international level that it has been taking significant actions in terms of policies, programmes, and projects even while the priority of poverty eradication is being pursued vigorously. An international agreement on climate change that is fair and equitable and based on the principles and provisions of the UNFCCC would accelerate the domestic initiatives. A country like India requires technology, investment in better infrastructure, and focused research and development of climate-friendly technologies in order to accelerate domestic actions, all of which require substantial support in terms of finances for the next decade. The global regime for addressing climate change should provide support for these actions.

(iii) Conclusion

3.53 The acceleration in growth during 2005-06 to 2007-08, when it reached nearly 10 per cent, was made possible by a coincidence of very favourable factors: robust growth in industry complemented by continuance of high growth in services and strong overall agricultural production with good monsoons on the supply side and a rapid rise in both savings and investment rates on the demand side. International conditions were also quite supportive. Now, with the effects of 2008-09 global financial and economic crisis dissipating, and recovery from last year's severe drought, the growth outlook for the current year is improving but would remain somewhat below the pre-crisis levels. Inflation had been trending up, but is beginning to come down. We expect, therefore, that the economy will soon reach pre-crisis levels. Sustaining such high levels of growth for a number of years, however, will require significant deepening of reform initiatives. The five issues and the imperatives discussed in this chapter are by no means exhaustive and sufficient; but this document highlights them as necessary pre-requisites.

CHAPTER IV

DETAILED ECONOMIC DEVELOPMENTS

This chapter provides more detailed information on developments in different sectors of the economy. It starts with agriculture, reviews price developments, and then moves to industry and infrastructure. Next, the chapter focuses on the external sector and financial developments---covering, in turn, balance of payments, external debt, trade, money and banking, and financial markets. The concluding section reviews social-sector programmes.

A. Agriculture

4.2 Rainfall received during the south-west monsoon in 2010 was 102 per cent of its long period average (LPA), i.e. 912.8 mm as against 893.2 mm. Region-wise, it was 112 per cent of its LPA over north-west India, 104 per cent over central India, 118 per cent over the southern peninsula and 82 per cent over north-east India. Out of 597 meteorological districts for which data are available, 173 districts (29 per cent) received excess rainfall, 240 (40 per cent) normal, 173 (29 per cent) deficient, and the remaining 11 (2 per cent) scanty rainfall during the season.

Kharif sowing

4.3 Indian agricultural output depends substantially on the monsoon as about 60 per cent of the net sown area is still rain-fed. The normal monsoon this year is expected to result in higher kharif production.

4.4 The total area under foodgrains in kharif 2010 is marginally lower (by 2.71 lakh ha) than in kharif 2009 (see Table 1.3, Chapter 1). In the case of maize, groundnut, nigerseed, arhar, urad, moong, cotton, and sugarcane, the area sown is higher than last year. Specifically, significant increase in area has been noted under pulses (by 6.11 lakh ha), sugarcane (by 6.53 lakh ha), and cotton (by 6.90 lakh ha). However, area under paddy, bajra and jowar is lower due to poor rainfall in eastern UP, West Bengal, Jharkhand, and Bihar. The area under sunflower and sesame is also lower than last year.

Agricultural production

4.5 As per the first advance estimates of kharif production for 2010-11 released by the Ministry of Agriculture on September 23, 2010, production of foodgrains will be at 114.63 million tonnes, oilseeds at 17.27 million tonnes, sugarcane at 324.91 million tonnes, and cotton at 33.50 million bales of 170 kg each (Table 4.1). Compared to last year, kharif foodgrains output is estimated to go up by 10.39 per cent, oilseeds by 10.28 per cent, sugarcane by 16.98 per cent, and cotton by 39.93 per cent. These higher production estimates compared to last year are primarily due to significant improvement in productivity of almost all crops resulting from favourable weather conditions. Kharif 2009 had started well and sowing was completed in most of the crops. Subsequently, due to severe shortage in precipitation and drought conditions, damage to crops occurred resulting in productivity losses.

Table 4.1. Kharif production in 2009-10 and 2010-11

(million tonnes)

Crops	2009-10 (4th advance estimates)	2010-11 (1st advance estimates)	Absolute difference (Col. 3-2)	Percentage change in 2010-11 over 2009-10
Foodgrains	103.84	114.63	10.79	10.39
Oilseeds	15.66	17.27	1.61	10.28
Sugarcane	277.75	324.91	47.16	16.98
Cotton @	23.94	33.50	9.56	39.93

@ Production in million bales of 170 kg each.
Source: *Department of Agriculture & Cooperation*

4.6 As per the fourth advance estimates for 2009-10, foodgrains production was placed at 218.20 million tonnes. It comprised 103.84 million tonnes of kharif foodgrains and 114.36 million tonnes of rabi foodgrains. Production of oilseeds was estimated at 24.93 million tonnes, sugarcane at 277.75 million tonnes, and cotton at 23.94 million bales of 170 kg each in 2009-10 (Table 4.2).

Table 4.2. All India area, production, and yield of major crops

Crops	(Area (lakh ha)			(Production (million tonnes)			{Yield (kg/ha)}		
	2007-08	2008-09	2009-10*	2007-08	2008-09	2009-10*	2007-08	2008-09	2009-10*
Foodgrains	1,240.68	1,228.32	1,213.66	230.78	234.47	218.20	1,860	1,909	1,798
Oilseeds	266.93	275.58	261.08	29.76	27.72	24.93	1,115	1,006	955
Sugarcane	50.55	44.15	42.02	348.19	285.03	277.75	68,877	64,553	66,099
Cotton@	94.14	94.07	103.10	25.88	22.28	23.94	467	403	395

*4th Advance Estimates.
@- Production in million bales of 170 kg each.
Source: *Department of Agriculture & Cooperation*

Minimum support prices

4.7 The Government has fixed the MSPs of 2010-11 kharif and rabi crops to be marketed in 2011-12. The MSPs have been raised reasonably in line with the objectives of larger price policy for agricultural commodities that seeks to ensure remunerative prices to farmers for their produce with a view to encouraging higher investment and production. Further, to safeguard the interest of consumers, supplies are made available at prices which are much below economic costs through the public distribution system (PDS). Nothing in economics comes without a cost. This policy does put pressure on the fiscal deficit and Government will have to work hard to balance these diverse objectives.

Procurement, storage, and distribution.

4.8 Foodgrains are procured at the MSP fixed by the Government. The procured foodgrains are stored and distributed under the targeted public distribution system (TPDS), other welfare schemes, and through the open market sales scheme. A noteworthy feature is that there has been a continuous increase in the procurement levels of foodgrains by the Government. This demands an effective, efficient, and timely release of the foodgrains procured in the market. The Central Pool is required to have sufficient stocks of rice and wheat in order to meet any emergencies like drought/crop failure, as well as to enable open market intervention in case of price rise.

4.9 Minimum buffer norms and the actual stock position in the Central Pool vary seasonally (Table 4.3). With actual stocks being in excess of the buffer norms and central issue prices remaining unchanged, there has been steady increase in the economic cost leading to higher subsidy outgo.

Table 4.3. Details of minimum buffer norms and actual stock position

(in lakh tonnes)

DATE	RICE		Wheat		Total	
	Actual stock	Buffer norms	Actual stock	Buffer norms	Actual stock	Buffer norms
1.1.2009	175.76	118	182.12	82	357.88	200
1.4.2009	216.04	122	134.29	40	350.33	162
1.7.2009	196.16	98	329.22	171	525.38	269
1.10.2009	153.49	52	284.57	110	438.06	162
1.01.2010	243.53	118	230.92	82	474.45	200

Source: *Department of Food & Public Distribution*

B. Price Developments

4.10 The Department of Industrial Policy and Promotion (DIPP) has released the new WPI series with 2004-05 as base year (2004-05=100) on 14 September 2010 and inflation data have been presented on monthly basis from the month of August 2010. The coverage has been widened with 5,482 price quotations and 676 commodities in the new series in place of the 1,918 quotations and 435 commodities in the old series (1993-94=100). Further, the new series has added or revised 417 commodities, of which 11 are in the "Primary articles" category and 406 in the "Manufactured products". Some of the important items included in the new series are mineral water, ice cream, TV, VCD, washing machine, computer, and microwave oven (Table 4.5).

4.11 The WPI inflation of 8.58 per cent in October 2010 can be disaggregated in terms of three major groups. Primary articles having a weight of 20.12 per cent recorded year-on-year inflation of 16.68 per cent in October 2010 as compared to 10.30 per cent in October 2009. Fuel, power, lights and lubricants having a weight of 14.91 per cent recorded year-on-year inflation of 11.02 per cent in October 2010 as compared to (-) 6.78 per cent in October 2009. Manufactured products, having a weight of 64.97 per cent recorded year-on-year inflation of 4.75 per cent in October 2010 as compared to 0.58 per cent in October 2009.

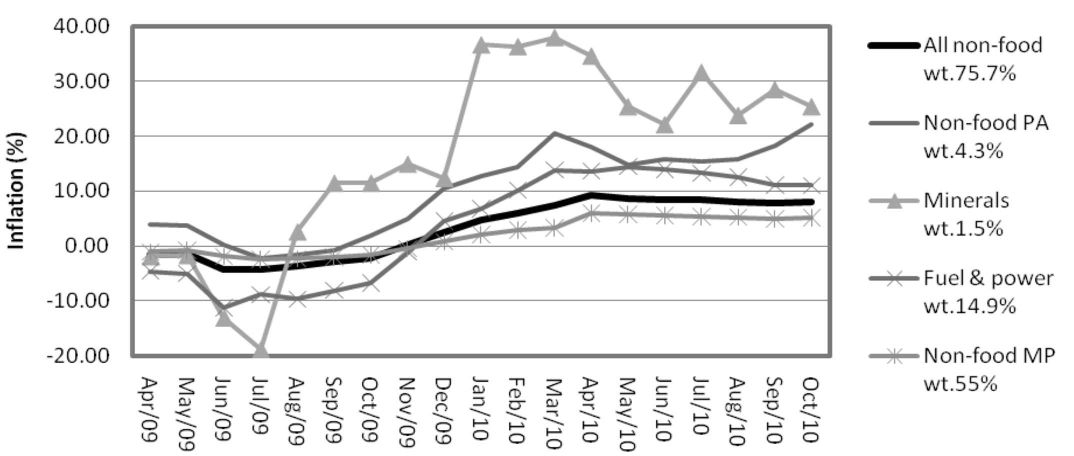
4.12 The average inflation rate for the last 12 months (November 2009 to October 2010) was 8.98 per cent as compared to 2.37 per cent during the corresponding period last year. The financial year build up in the current year is 4.34 per cent in October 2010, as against 5.93 per cent in October 2009.

4.13 The WPI can also be disaggregated based on total food (primary and manufactured food) (weight 24.31 per cent) and total non-food items (weight 75.69 per cent); it clearly shows that inflation in total food items had been accelerating till February 2010. The Government has taken several fiscal and administrative measures to contain food inflation, and inflation in food items has gradually declined to 9.97 per cent in October 2010 from its peak of 20.22 per cent in February 2010. In October 2010, the main drivers of the current inflation are: fruits, condiments and spices, milk, eggs, meat and fish in food combined (weight 24.31per cent) and- groundnut seeds, copra, sugarcane, raw cotton, raw jute, raw silk, raw rubber, minerals, mineral oils and cotton textiles, and gold in non-food commodities.

Break up of non-food inflation in the WPI

4.14 WPI non-food (weight 75.69 per cent) inflation reached a level of 9.2 per cent in April 2010, mainly on account of higher inflation in non-food primary articles, viz. minerals, fuel, and mineral oils. It softened during September -October 2010 due to some moderation in fuel and non-food primary articles. The level of inflation in non-food manufactured products (weight 55.00 per cent) remained in the comfortable zone with slow acceleration. During the first seven months of financial year 2009-10, headline WPI inflation was lower mainly on account of negative inflation in non-food (Chart 4.1).

Chart 4.1: Breakup of non-food WPI y-o-y inflation



Introduction of new WPI series

4.15 The variations in the weights and data sources based on the new and old series are presented in Table 4.4 and Table 4.5.

Salient features of new series of WPI (2004-05 base) compared to earlier series

Table 4.4 : Comparative statement of weights assigned to product groups

Major group/ sub group	1970-71	1981-82	1993-94	2004-05
All commodities	100.00	100.00	100.00	100.00
Primary articles	41.67	32.30	22.03	20.12
Food articles	29.80	17.39	15.40	14.34
Fuel & power	8.46	10.66	14.23	14.91
Manufactured products	49.87	57.04	63.75	64.97
Food products	13.32	10.14	11.54	9.97

Table 4.5: Broad group- wise weights, number of items and price quotations in the new series as compared to WPI 1993-94 Series

	Weight		No. of items					No. of quotations		
	2004 -05	1993 -94	2004 -05	1993 -94	Common	Dropped *	New items $	2004 -05	1993 -94	Common
All commodities	100.00	100.00	676	435	259	176	417	5,482	1,918	598
I Primary articles	20.12	22.03	102	98	91	7	11	579	455	320
(A) Food articles	14.34	15.40	55	54	54	0	1	431	340	245
(B) Non-food articles	4.26	6.14	29	25	25	0	4	108	96	62
(C) Minerals	1.52	0.48	18	19	12	7	6	40	19	13
II Fuel & power	14.91	14.23	19	19	19	0	0	72	72	57
A. Coal	2.09	1.75	4	4	4	0	0	20	20	5
B. Mineral oils	9.36	6.99	10	10	10	0	0	47	47	47
C. Electricity	3.45	5.48	5	5	5	0	0	5	5	5
Manufactured products	64.97	63.75	555	318	149	169	406	4,831	1,391	218
(A) Food products	9.97	11.54	57	41	32	9	25	406	168	54
(B) Beverages, tobacco & its products	1.76	1.34	15	11	7	4	8	102	49	16
(C) Textiles	7.33	9.80	55	29	17	12	38	457	100	18

	Weight		No. of items					No. of quotations		
	2004-05	1993-94	2004-05	1993-94	Common	Dropped *	New items $	2004-05	1993-94	Common
(D) Wood & wood products	0.59	0.17	10	2	1	1	9	64	9	0
(E) Paper & paper products	2.03	2.04	18	11	9	2	9	138	67	15
(F) Leather & leather products	0.84	1.02	13	1	0	1	13	91	9	0
(G) Rubber & Plastic products	2.99	2.39	45	15	10	5	35	351	55	19
(H) Chemicals & chemical products	12.02	11.93	107	69	24	45	83	1,111	276	41
(I) Non-metallic mineral products	2.56	2.52	26	9	3	6	23	225	42	2
(J) Basic metals, alloys & its products	10.75	8.34	69	53	20	33	49	696	203	10
(K) Machinery & machine tools	8.93	8.36	107	56	23	33	84	903	312	43
(L) Transport, equipment, & parts	5.21	4.29	33	21	3	18	30	287	101	0

* Dropped /revised from old series $: New items added or revised

Note: In the new series MSP has replaced PDS for rice and wheat.

Weekly trend in WPI

4.16 In view of a Government decision, the DIPP discontinued weekly release of WPI for all commodities after 17 October 2009 other than primary articles (weight 20.12 per cent) and the fuel group (weight 14.91 per cent), which continues in the new series (Table 4.6).

Table 4.6. Weekly trend in WPI in primary articles and the fuel group

End week of months	Primary artices	Food articles	Pul-ses	Vege-tables	Fruits	Milk	Eggs, meat, &Fish	Non-food	Mine-rals	Fuel& power	Mineral oils
Weight	20.12	14.34	0.72	1.74	2.11	3.24	2.41	4.26	1.52	14.91	9.36
24Apr.10	21.67	20.91	23.68	4.02	23.23	27.33	44.48	17.57	34.48	13.41	17.98
29May10	20.25	20.62	24.38	3.24	24.60	28.38	43.58	15.14	27.51	14.32	17.79
26Jun.10	19.23	19.88	20.77	10.96	26.42	24.12	35.41	15.17	22.01	17.14	22.15
31Jul.10	16.84	16.45	9.83	-12.70	33.96	26.57	25.70	15.32	22.62	12.40	15.73

End week of months	Primary articles	Food articles	Pul-ses	Vege-tables	Fruits	Milk	Eggs, meat, &Fish	Non-food	Mine-rals	Fuel& power	Mineral oils
28Aug.10	15.24	14.76	6.24	-1.90	9.74	26.32	29.27	14.10	21.47	12.61	16.06
25Sep.10	19.58	16.88	3.12	13.54	16.99	24.53	30.51	24.73	29.61	10.80	13.14
02Oct.10	**18.54**	**16.37**	**5.57**	**19.84**	**12.75**	**21.65**	**28.66**	**22.73**	**26.85**	**11.14**	**13.72**
09Oct.10	**18.05**	**15.53**	**5.12**	**12.26**	**15.65**	**21.65**	**26.86**	**23.64**	**26.65**	**11.14**	**13.72**
16Oct.10	**16.62**	**13.75**	**4.16**	**-0.77**	**16.06**	**21.65**	**28.12**	**22.8**	**26.6**	**11.25**	**15.04**
23Oct.10	**15.43**	**12.85**	**0.67**	**-4.20**	**16.03**	**21.72**	**28.85**	**21.64**	**23.55**	**10.67**	**15.04**
30Oct.10	**14.87**	**12.30**	**-3.45**	**-6.42**	**18.45**	**21.72**	**28.64**	**20.49**	**23.3**	**10.67**	**15.11**
06Nov.10	**13.30**	**10.30**	**-4.71**	**-8.26**	**20.29**	**17.68**	**25.98**	**22.01**	**19.72**	**10.57**	**14.84**
13Nov.10	**13.38**	**10.15**	**-7.58**	**-3.76**	**21.85**	**16.90**	**22.98**	**23.42**	**19.72**	**10.57**	**14.84**
20Nov.10	**12.72**	**8.60**	**-10.00**	**-3.00**	**19.27**	**17.76**	**15.58**	**24.06**	**23.36**	**9.99**	**13.99**

Note: Bold figures are provisional

4.17 The inflation in weekly food articles declined significantly to 8.60 per cent for the week ended 20 November 2010 from 10.15 per cent in the previous week. The expectation of a bumper rabi crop may ease supply constraints. Food articles have shown signs of easing in recent weeks. The sharp increase in the MSPs for pulses announced by the government on October 20 2010 will directly contribute to inflation in the new series. The higher support prices will help incentivize production but will also create a higher base price. In case of shortfall in the domestic supply of pulses, import is not much of an option because global surplus is very limited.

4.18 Since the beginning of the current financial year, double-digit inflation has been observed in non-cereal food items like fruits, eggs, and meat and fish as well as non-food articles like minerals and mineral oils.

Inflation in different price indices

4.19 WPI inflation remained in the comfortable zone during the last financial year but touched double digits in March 2010 and continued there till July 2010. CPI-IW inflation remained in double digits from July 2009 to July 2010. Inflation in terms of the CPI-AL and CPI-RL reached double digits in May 2009 and remained there till July 2010. Further, CPI-AL and CPI-RL inflation was higher than inflation based on the CPI-IW during all these months. Thereafter, in August, September and October 2010, inflation in terms of all price indices has come down to single digits (Table 1.10).

Movement in WPI and CPI food inflation

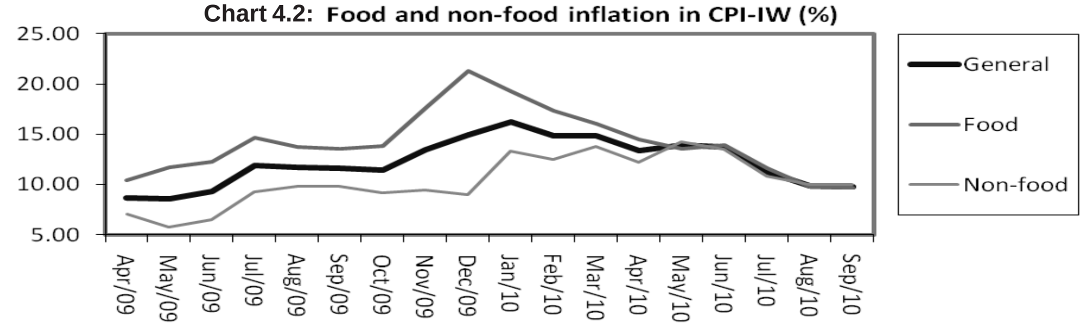
4.20 Chart 4.2 shows the movement of food and non-food inflation in the CPI-IW. Food and non-food inflation in the CPI-IW decelerated from April 2010 and a sharp decline was noted in July and August 2010. The influence of deceleration in inflation in the food group could be seen in both the WPI and CPI (Table 4.7).

Table 4.7: Food inflation in different Price Indices (Percent)

	WPI (Food wt 24.31%) (2004-05=100)		CPI-IW (Food wt 46.20%) (2001=100)		CPI-RL (Food wt 66.77%) (1986-87=100)	
Year	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**
Apr.	8.76	16.09	10.42	14.47	9.09	16.67
May	9.37	15.85	11.72	13.58	11.16	14.64
Jun.	10.42	15.30	12.24	13.94	12.44	13.93
Jul.	11.10	14.31	14.67	11.63	14.22	11.46
Aug.	12.97	11.06	13.73	9.77	14.13	9.48
Sep	13.21	**10.82(P)**	13.55	9.66	14.63	8.76
Oct.	12.66	**9.97(P)**	13.84	-	15.33	7.68
Nov.	17.17		17.61		18.14	
Dec.	20.21		21.29		20.43	
Jan.	19.80		19.23		20.78	
Feb.	20.22		17.31		19.26	
Mar.	18.50		16.03		17.71	

P: Provisional

Chart 4.2: Food and non-food inflation in CPI-IW (%)



Domestic retail prices

4.21 The Ministry of Consumer Affairs, Food, and Public Distribution, (Department of Consumer Affairs) monitors retail prices of essential food items and has found in October 2010 that the prices of pulses, sugar, mustard oil and potatoes have moderated.

World commodity prices

4.22 In the fuel group, coal prices have increased by 31 per cent in the Q2 of the current financial year as compared to the corresponding period last year. In the same quarter, the year-on-year basis international prices as per the Pink Sheet of the World Bank have increased substantially in almost all items except sugar and tea. Agricultural inputs, some food items, and maximum metals recorded a sharp average increase in the current quarter over the same period a year ago. The domestic economy could be affected by high international prices and continuous appreciation in the Indian rupee in terms of the US dollar. In 2008, average international prices were much higher than current prices.

Measures to contain inflation

4.23 The Government monitors the price situation regularly as price stability remains high on its agenda. Measures taken to contain prices of essential commodities include a selective ban on exports and futures trading in foodgrains, zero import duty on select food items, permitting import of pulses and sugar by public sector undertakings, distribution of imported pulses and edible oils through the PDS, and release of higher quota of non-levy sugar (Box 4.1). In addition, State Governments are empowered to act against hoarders of food items by holding in abeyance the removal of restrictions on licensing, stock limits, and movements of food articles under the Essential Commodities Act 1955.

Box 4.1: Measures taken by Government to contain price rise

1. Fiscal measures

(i) Import duties on rice, wheat, pulses, edible oils (crude), and butter and ghee have been reduced to zero.

(ii) Import duties on refined and hydrogenated oils and vegetable oils have been reduced to 7.5 per cent.

(iii) Import of raw sugar at zero duty has been allowed under open general licence (OGL) up to 01.08.2009 by sugar mills (notified on 17.04.2009) extended up to 31.12.2010. Furthermore, import of raw sugar has been opened to private trade up to 31.12.2010 for being processed by domestic factories on job basis.

(iv) The duty-free import of white/refined sugar under OGL has been opened to other Central/ State Government agencies and to private trade in addition to existing designated agencies and has been extended up to 31.12.2010 without any quantitative cap.

2. Administrative measures

(i) Levy obligation in respect of imported raw sugar and white/refined sugar has been removed.

(ii) Ban on export of non-basmati rice may continue till further orders.

(iii) The existing ban on export of edible oils will continue for another year, i.e. from 1.10.2010 to 30.9.2011, except for coconut oil through Kochi port, fish oil, oils produced from minor forest produce, and edible oils in branded consumer packs of up to 5 kg with a ceiling of 10,0000 tonnes from 1.11.2010 to 31.10.2011.

(iv) Stock limit orders have been imposed on pulses and paddy and rice for a further period up 30.9.2011, edible oil and edible oilseeds for a further period up to 31.3. 2011, and sugar for a further period up to 31.12.2010.

(v) The Central Issue Price (CIP) for rice (at ₹ 5.65 per kg for below poverty line [BPL] families and ₹ 3 per kg for Antodaya Anna Yojana [AAY] families) and wheat (at ₹ 4.15 per kg for BPL and ₹ 2 per kg for AAY) has been maintained since 2002.

(vi) In order to enhance the production of major agricultural commodities and thereby safeguard the interest of consumers by making available supplies, Government has increased the of 2010-11 rabi crops to be marketed in 2011-12.

(vii) The proportion of sugar production requisitioned as levy sugar was increased from 10 to 20 per cent for 2009-10 sugar season to ensure adequate levy sugar supplies under the PDS.

(viii) An additional allocation of wheat/rice @10 kg/family/month of January and February 2010 has been made to the accepted number of AAY, BPL and APL ration cards. This is in addition to existing allocation. While the wheat will be allocated at MSP prices rice will be allocated at MSP derived prices.

(ix) Efforts to keep fiscal and revenue deficits on a downward trajectory as stated in the last Union Budget are continuing

3. Monetary measures

(i) Further, as part of the monetary policy review, the RBI has taken suitable measures to moderate demand to levels consistent with the capacity of the economy to maintain its growth without provoking price rise. The RBI has already raised its key policy rates several times and has lately narrowed the LAF corridor to reduce volatility of rates.

C. Industry and Infrastructure

4.24 Industrial production, as measured by the IIP, grew by 10.2 per cent during the first half of the current financial year as compared to the 6.8 per cent level achieved during the corresponding period last year (Table 4.8). However, after peaking in the last quarter of 2009-10, it has been gradually declining during the current financial year mainly because of decline in the manufacturing and electricity groups. Growth in the manufacturing group has declined from 16.8 per cent in the last quarter of 2009-10 to 9.4 per cent in the Q2 of the current financial year. Likewise, electricity sector production has increased at lower rates, i.e. 5.6 per cent Q1 and 2.1 per cent Q2, during the current financial year as compared to the 7.1 per cent increase in the last quarter of 2009-10. The mining sector, however, has so far been growing at a steady rate this year.

Table 4.8.

Growth in broad industrial groups (per cent)*

Index of industrial production (base 1993-94=100)

Period/quarter	Mining	Manufacturing	Electricity	General
Weight	104.73	793.58	101.69	1,000
Q1-08-09	4.0	6.1	2.0	5.6
Q2-08-09	3.8	5.6	3.2	5.2
Q3-08-09	2.0	1.3	2.9	1.5
Q4-08-09	0.9	0.8	3.0	1.0
Q1-09-10	6.8	3.6	5.8	4.0
Q2-09-10	9.0	8.7	7.4	8.6
Q3-09-10	10.3	14.4	3.8	13.3
Q4-09-10	12.9	16.8	7.1	15.8
Q1-10-11	10.2	12.6	5.6	11.9
Q2-10-11	7.0	9.5	2.1	8.7

Source: *Central Statistical Organisation.*

* *Based on revised IIP data released on 10.12.2010 by the CSO, hence may not tally with the print version*

4.25 The production trend in the manufacturing sector can be better comprehended by following the underpinning production trend of used-based industrial groups. Capital goods and consumer durable groups have been growing at phenomenal rates during the last quarter of 2009-10 and Q1 of 2010-11 but during the Q2 of 2010-11 the growth rate, though still in double digits , has decelerated substantially. The basic goods production index has also followed a similar trend. The consumer non-durable sector has not yet recovered to its pre-crisis level and the production index for the sector is either in the negative zone or has increased marginally since the last quarter of 2008-09. The intermediate goods group has shown resilience and has been registering double-digit growth during the first two quartersof the current financial year (Table 4.9).

Table 4.9

Growth in use-based industrial groups (per cent)*

Index of industrial production (base 1993-94=100)

Period				Consumer goods			
Quarter	Basic goods	Capital goods	Intermediate goods	Total	Durables	Non-durables	General index
Weight	355.1	96.9	264.4	283.6	51.2	232.5	1,000.00
Q1-08-09	3.3	9.2	3.0	8.7	3.8	10.3	5.6
Q2-08-09	4.9	15.2	-1.3	7.0	11.1	5.5	5.2
Q3-08-09	2.5	5.7	-5.9	4.8	-1.1	6.7	1.5
Q4-08-09	0.4	4.0	-3.0	3.2	5.2	2.6	1.0
Q1-09-10	6.3	3.5	7.0	-0.3	14.8	-4.9	4.0
Q2-09-10	5.9	6.7	11.6	9.7	22.0	5.2	8.6
Q3-09-10	6.1	22.7	19.4	10.6	31.0	4.3	13.3
Q4-09-10	10.3	45.7	17.0	5.2	30.0	-2.3	15.8
Q1-10-11	6.8	31.9	10.5	9.2	27.3	2.6	11.9
Q2-10-11	4.1	18.1	10.6	6.8	19.8	1.3	8.7

***Source**: Central Statistical Organisation.*

* *Based on revised IIP data released on 10.12.2010 by the CSO, hence may not tally with the print version*

4.26 An analysis of the trend at double-digit level shows remarkable recovery made by the industries falling under the categories of metal products (26.5 per cent), food products (12.9 per cent), and jute textiles (12.5 per cent) during April-September 2010-11. These three sub-sectors bounced back to double-digit growth during the first half of 2010-11 as against negative growth rates in the corresponding period of the previous financial year. These three sectors as well as transport equipment (27.4 per cent); machinery and equipments (18.8 per cent); rubber, plastic and petroleum (15.7 per cent), and other manufacturing sub-groups (24.2 per cent) have all registered double-digit growth during April-September 2010-11. Cotton products, leather products, and paper products industries have also registered 7-8 per cent growth so far during the current financial year and this performance is remarkable as compared to near stagnation during the first half of 2009-10. On the other hand, production has fallen in industries falling under the categories of basic chemical and chemicals products, textile products and wool, silk, and man-made textiles during the first half of the current financial year as compared to the previous year's corresponding period.

Capacity addition in major sectors during H1 2010-11

4.27 Power: During April-October 2010-11, capacity addition of 7,020 MW has been achieved against the target of 20,359 MW for the year. The April - September 2010 was 8,958 MW, out of which 24 per cent was to be added in the Central sector; 34 per cent in the State sector; and the remaining 42 per cent in the private sector. Almost 95 per cent of the total capacity addition was planned in the thermal sector. During April -September 2010, about 55 per cent of the total target capacity addition was achieved. About 22 per cent of the underachievement has been on account of Central-sector projects, about 41 per cent due to State-sector projects, and the remaining 37 per cent on account of private-sector projects. In electricity generation, during April-September 2010, there has been an increase of 3.9 per cent as compared to 6.4 per cent during the corresponding period of 2009-10.

4.28 Rural electrification under the RGGVY has proceeded apace: So far, the Ministry of Power has sanctioned 573 projects in 546 districts to electrify 1,18,499 villages and provided free electricity connections to 2.46 crore BPL rural households. As on 31October 2010 electrical works in 86,270 villages have been completed and 131.82 lakh free electricity connections have been released to BPL households. The target is to complete all the sanctioned projects before March 2012.

4.29 Railways: The total approximate earnings of Indian Railways on originating basis during 1 April - 30 September 2010 were ₹ 44,323.70 crore compared to ₹ 41,104.78 crore during the same period last year, registering an increase of 7.83 per cent. The target for loading during 2010-11 is 944.00 million tonnes. Indian Railways carried 438.20 million tonnes of revenue-earning freight traffic during April-September, 2010. The freight carried shows an increase of 10.04 million tonnes over the freight traffic of 428.16 million tonnes carried during the corresponding period last year, registering an increase of 2.34 per cent. The total approximate number of passengers booked during April-September 2010 was 3,904.57 million (provisional) compared to 3,683.53 million during the same period last year, showing an increase of 6 per cent. During 2010-11, 1,000 route km have been targeted for electrification with an outlay of ₹ 601 crore. During first half of this financial year, i.e. up to September 2010, 203 route km have been energized. For the current financial year, Railways has set a target of commissioning 1,000 km of new lines, 800 km of gauge conversions, and 700 km of doublings. Achievements in respect of new lines, gauge conversion, and doublings up to September 2010 have been 59 km, 140 km, and 55 km respectively.

4.30 The factors/reasons which have helped achieve higher freight traffic are the greater efficiencies in railway operations: This is the outcome of a multi-pronged strategy focused on phasing out of old vacuum stock, reduction in piecemeal stock by mopping up rakes, development of terminal facilities, introduction of schemes of incentives to customers to reduce terminal detentions, increasing loadability of wagons, proliferating routes which can carry heavier loads, introducing 25 trains running on selected iron ore routes, rationalization of maintenance practices, improvement in signalling, reduction in block working time, removal of permanent speed restrictions, traffic facilities to remove bottlenecks, improvement in hours on run of freight trains by better monitoring through a Freight Operation Information System (FOIS), and introduction of high speed freight trains in empty running, and increase in track capacity through new lines, doubling, flyovers, and bye passes. In particular, improvement in freight loading performance has been achieved with intensive monitoring of freight terminals through the FOIS for effective reduction in wagon detention. Review of maintenance practices has also helped in improving overall availability of wagons. Freight marketing schemes in the form of incentives and discounts are being offered to customers to capture newer traffic thereby increasing loading and revenue.

4.31 National highways: The Work Plans (Work Plan I & II) for awarding 12,000 km each during the years 2009-10 and 2010-11 were formulated with specific timelines laid down for various activities and are being monitored very closely. The Government has fixed a financial target of ₹ 36,524 crore under the National Highway Development Project(NHDP) for 2010-11 and up to September 2010 about Rs7,389.91 crore has been utilized. The physical target under the NHDP is to complete 2500 km during 2010-11 against which, up to September 2010, 691 km length of road has been completed (Table 4.10).

Table 4.10 Year-wise physical targets and achievements under the NHDP (up to September 2010)

	Target for completion (in km)							
NHDP	**2007-08**		**2008-09**		**2009-10**		**2010-11**	
	T	**A**	**T**	**A**	**T**	**A**	**T**	**A**
NHDP phase I	437	214	220	131	201	139	94	33.70
NHDP phase II	2,013	1,021	2,522	1,534	1,785	1,635	1,143	285.50
NHDP phase III	435	381	659	375	1,102	794	985	270
NHDP phase V	0	0	118	106	77	108	278	88
Miscellaneous (other projects)	0	69	0	57	0	17	0	14
Total	**2,885**	**1,685**	**3,519**	**2,203**	**3,165**	**2,693**	**2,500**	**691**

4.32 Telecommunications: Indian telecom still continues to register significant growth in the current fiscal year. The Indian telecom network has more than 723 million connections as on 30 September 2010. With about 688 million wireless connections, Indian telecom has become the second largest wireless network in the world after China. More than 17 million telephones are being added every month.

4.33 The total number of telephones has increased from 621.28 million on 31 March 2010 to 723.29 million on 30 September 2010. While more than 102 million telephones were added during the period March-September of 2010, tele-density has also increased from 53.46 per cent in March 2010 to 60.99 per cent in September 2010. Rural tele-density has increased from 24.56

per cent in March 2010 to 28.46 per cent in September 2010 with 236.26 million rural telephone connections. Urban tele-density, on the other hand, has increased from 122 per cent in March 2010 to 136.91 per cent in September 2010.

4.34 The Government has reiterated its objective of covering the uncovered areas by telephone facilities as well as boosting the spread of broadband facilities in rural areas. It recognizes the need to take a forward-looking approach, based on an appreciation of changing technologies, and accelerate structural changes in this sector in line with trends in other countries to ensure that not only are telecommunication services made available on the scale needed to sustain rapid growth in the economy as a whole but also that the quality and cost of these services match the requirements of a modernizing economy. One of the key frontiers that will make the journey in the coming years exciting is the launch of third generation (3G) technology. The auction of 3G/wireless broadband alliance(WBA) spectrum has been successfully conducted. This will encourage further expansion of wireless services

4.35 Urban development: The Government's flagship JNNURM has two key components for upgradation and development of urban infrastructure in the country, namely UIG and the UIDSSMT. Total initial and additional allocations for providing ACA for a seven-year period (2005-12) are ₹ 31,500 crore under the UIG and ₹ 11,400 crore under the UIDSSMT respectively.

4.36 From inception till October 2010, in all 527 projects worth ₹ 59,918.29 crore with ACA commitment of ₹ 27,748.18 crore were approved under the UIG component.. The total ACA released so far for projects under the UIG is Rs11,859.62 crore. In terms of number of projects, water supply projects (151) top the list and the sewerage segment comes next with 111 projects. In terms of value, water supply projects top the chart followed by sewerage and storm water drainage/drainage. So far, 83 projects have been completed. During the current financial year till 31 October 2010, about ₹ 6,556.12 crore has been released out of ₹ 12,978.93 provided under budget estimates (BE) 2010-11.

4.37 Under the UIDSSMT, from inception till 31 October 2010, 764 projects with a value of ₹ 12,928.93 crore have been approved. The ACA committed for these projects is ₹ 10,435.93 crore. The total ACA released so far is ₹ 7,110.30 crore. Water supply projects (65 per cent) top the list with sewerage (19 per cent) as the second most important sub-component. So far, 123 projects have been completed. The ACA budget for 2010-11 is ₹ 1,508.71 crore, out of which ₹ 990.78 crore was released till 31 October 2010.

4.38 Civil aviation : In view of the increased pressure on airport infrastructure and in order to create world- class airport infrastructure, upgradation/ modernization of a number of metro and non-metro airports has been taken up by the Airports Authority of India through joint-venture companies. The Civil Aviation Ministry has an annual plan (2010-11) outlay of ₹ 9,588.30 crore including ₹ 2,000 crore of budgetary support. Out of this ₹ 3,610 crore has been earmarked for investment in infrastructure development of airports in the country. With the completion of Phase-1 work on the Indira Gandhi International (IGI) airport, Delhi, a new terminal-3 has become operational which has capacity to handle 34 million passengers per annum, both international and domestic. This project marks the beginning of creating world class infrastructure in the civil aviation sector in the country through public private partnership (PPP) mode. Remaining restructuring work on the IGI airport and on modernization of the Chatrapati Shivaji International airport, Mumbai, is also progressing satisfactorily. Further, in the annual plan outlay, ₹ 5,634.80 crore has been earmarked for acquisition of aircraft by the National Aviation Company Ltd. and during April-September 2010-11, the Company has already received four aircraft against the planned acquisition of five aircraft.

Industrial and Investment Financing

4.39 Non-food bank credit is the key proxy of funding to the industrial sector. Increase or decrease in non-food bank credit is taken as an indirect indicator of increase or decrease in activities in the industrial sector. While the share of industry in gross outstanding credit has been about 43 per cent as on 24 September 2010 (the latest available data, Table 4.11), what is of concern is the decline in its share of non-food bank credit deployed during the first half of this fiscal year as compared to the corresponding period of the previous year. The share of personal loans and the services sector in gross non-food credit has comparatively increased during the first half of the current financial year. Also, it is worth noting that within industry, almost two-thirds of the non-food credit is deployed in the infrastructure, iron and steel, and engineering sectors whereas the remaining sectors have negligible share. The share of micro- and small industry in gross outstanding credit is only about 12 per cent although this sector accounts for a far larger share of overall manufacturing and exports. The share of petroleum, coal products and nuclear group, and construction in non-food bank credit has shrunk further from the previous outstanding as these sectors may be sourcing funds from other than domestic commercial banks.

Table 4.11.

Industry-wise deployment of gross bank credit(outstanding) (in ₹ crore)

Sector	Outstanding as on 24.09.2010		Variation financial so far			
			25.09.2009		24.09.2010	
		% share	Absolute	% share	Absolute	% share
1	2	3	4	5	6	7
Non-food gross bank credit	31,99,151	100	92,341	100	1,62,206	100
Industry	14,17,200	44.3	84,982	92.0	1,07,386	66.2
Food processing	68,153	2.1	327	0.4	2,896	1.8
Textiles	1,23,764	3.9	3,525	3.8	2,364	1.5
Paper and paper products	19,969	0.6	203	0.2	933	0.6

1	2	3	4	5	6	7
Petroleum, coal products & nuclear fuels	57,098	1.8	2,590	2.8	-11,049	-6.8
Chemicals & chemical products	88,348	2.8	1,093	1.2	3,431	2.1
Rubber, plastic & their products	18,417	0.6	536	0.6	2,741	1.7
Iron & steel	1,37,588	4.3	14,375	15.6	9,956	6.1
Other metal & metal products	38,719	1.2	2,214	2.4	3,047	1.9
Engineering	82,987	2.6	-893	-1.0	9,090	5.6
Vehicles, vehicle parts & transport equipment	40,915	1.3	1,818	2.0	2,166	1.3
Gems & jewellery	33,962	1.1	1,997	2.2	2,182	1.3
Construction	42,661	1.3	-592	-0.6	-1,047	-0.7
Infrastructure	4,69,621	14.7	48,659	52.7	87,499	53.9
Micro- and small industry	3,94,604	12.3	20,808	22.5	19,343	11.9

Source: *RBI.*

D. External Sector and Financial Developments

(1) Balance of payments, foreign exchange reserves and exchange rate

Global economy

4.40 The global economy is showing signs of improvement. The process of recovery, however, has been fragile with high levels of joblessness, fiscal deficit, and public debt in most advanced countries. The IMF has revised its growth projections for 2010 upward from 4.2 per cent in the April 2010 World Economic Outlook (WEO) to 4.6 per cent in July 2010, and further to 4.8 per cent in October 2010 , as compared to negative growth of 0.6 per cent in 2009. The pace and growth drivers remain divergent across countries. Though both advanced and emerging and developing economies are projected to grow, the emerging and developing economies are expected to grow at a faster rate of 7.1 per cent in 2010, led by China (10.5 per cent) and India (9.7 per cent), while the advanced economies are expected to grow at 2.7 per cent (Table 4.12).

Table 4.12

Select economic indicators: World

Sl	Item	2008	2009	2010 P	2011 P
1	2	3	4	5	6
1	**World output (per cent change) #**	2.8	-0.6	4.8	4.2
a	Advanced economies	0.2	-3.2	2.7	2.2
b	Other emerging markets & developing countries	6.0	2.5	7.1	6.4
	Of which				
	Developing Asia	7.7	6.9	9.4	8.4
	China	9.6	9.1	10.5	9.6
	India	6.4	5.7	9.7	8.4
II	**Net capital flows to emerging markets and developing countries (US$ billion)**				
i	Net private capital flows (a+b+c)	184.4	234.8	339.6	300.1
	a) Net private direct investment	439.0	240.8	296.3	328.7
	b) Net nrivate portfolio investment	-82.5	91.5	32.8	32.2
	c) Net other private capital flows	-172.1	-97.6	10.5	- 60.8
ii	Net official flows	-94.8	84.6	40.2	- 22.2
III	**World trade @**				
i	Trade volume	2.9	-11.0	11.4	7.0
ii	Export volume	6.5	-20.2	22.9	15.1
IV	**Current account balance (per cent to GDP)**				
i	US	- 4.7	-2.7	-3.2	- 2.6
ii	China	9.6	6.0	4.7	5.1
iii	India	-2.0	-2.9	-3.1	-3.1
iv	Middle East and North Africa	15.3	2.6	4.4	5.2

Source: *World Economic Outlook, October 2010, International Monetary Fund (IMF).*

Note : P - Projections, # growth rates are based on exchange rates at purchasing power parities, @ Average of annual percentage change for world exports and imports of goods and services.

4.41 Low interest rates in most advanced countries and the policy of quantitative easing are fuelling further concern. Together with faster recovery and differential rates of growth, they are leading to a surge of capital flows to emerging economies in search of higher yields. This is leading to pressure on domestic exchange rates, stoking stock market bubbles and also creating an upward pressure on prices.

Balance-of-payments developments during 2009-10

4.42 The highlights of the balance-of-payments (BoP) developments during 2009-10 include widening of the CAD, despite lower trade deficit and slowdown in invisible receipts, sharp increase in capital flows and accretion in foreign exchange reserves.

4.43 On BoP basis, the fiscal 2009-10 trade deficit declined marginally to 8.9 per cent of GDP as compared to 9.8 per cent during 2008-09. Exports and imports declined by 3.6 per cent and 2.7 per cent respectively over 2008-09. Invisible balances also showed deterioration from 7.4 per cent of the GDP in 2008-09 to 6.0 per cent during 2009-10. Consequently, the CAD widened to 2.9 per cent of the GDP in 2009-10 as against 2.4 per cent during 2008-09. The capital account balance, however, increased significantly to 4.1 per cent of the GDP during 2009-10 from 0.6 per cent in 2008-09, mainly on account of sharp increase in portfolio flows.

BoP during Q1 of 2010-11

4.44 BoP developments during the Q1 of the current fiscal was characterized by the widening of the CAD on account of moderation in invisible surplus, high trade deficit, sharp increase in net capital inflows and accretion of foreign exchange reserves on BoP basis.

Current account

4.45 During Q1 of 2010-11, exports at US$ 53.7 billion were 37.0 per cent higher than the US$ 39.2 billion in Q1 of 2009-10. Similarly, imports at US$ 87.9 billion registered 35.6 per cent growth year-on-year. The growth in imports was mainly due to increase in oil imports, pearls, and precious and semi-precious stones. However, despite higher growth in exports relative to imports, at US$ 34.2 billion the trade deficit was 33.6 per cent higher during Q1 of 2010-11 than the US$ 25.6 billion in Q1 of 2009-10.

4.46 Under invisibles, service receipts (comprising travel, transaction, software business, and financial services) of US$ 26.1 billion recorded a growth of 22.5 per cent during Q1 of 2010-11 over the US$ 21.3 billion in Q1 of 2009-10. Software services exports at US$ 12.7 billion also recorded a positive growth of 15.5 per cent during Q1 of 2010-11 as against a decline of 8.9 per cent a year earlier. According to NASSCOM estimates (February 2010), software exports are expected to grow by about 13-15 per cent to about US $ 56-57 billion during 2010-11. Private transfer receipts, comprising mainly remittances from Indians working overseas, of US$ 13.7 billion during Q1 of 2010-11 increased moderately by 3.0 per cent (as compared to a growth of 5.1 per cent a year earlier). Invisibles payments, on the other hand recorded a growth of 36.0 per cent mainly due to higher payments under investment income and also on account of higher payments under travel, transportation and business and financial services. As a result, at US$ 20.5 billion there was a marginal decline of 3.3 per cent in net invisibles (invisibles receipts - invisibles payments) of US$ in Q1 of 2010-11 vis-a-vis US$ 21.2 billion in Q1 of 2009-10, due to higher invisibles payments. As a result of a higher trade deficit combined with lower invisibles surplus, the CAD widened to US$ 13.7 billion during Q1 of 2010-11 vis-vis US$ 4.5 billion in Q1 of 2009-10.

Capital account

4.47 The capital account, however, remained buoyant as there was surge in capital inflows to the tune of US$ 18.4 billion in Q1 of 2010-11 vis-a-vis US$ 4.0 billion in Q1 of 2009-10. The increase in capital inflows was mainly led by inflows under short-term credit, ECB, external assistance, and banking capital. Short-term trade credit to India recorded a large net inflow of US$ 5.6 billion in Q1 of 2010-11 (as against a net outflow of US$ 1.5 billion during Q1 of 2009-10) in line with increase in imports associated with strong domestic economic activity and improved conditions in global financial markets. Net ECBs were significantly higher at US$ 2.7 billion during the quarter (as against a decline of US$ 0.5 billion in Q1 of 2009-10) mainly due to higher disbursements of commercial loans to India coupled with lower repayments. Banking capital recorded net inflows of US$ 4.0 billion during the quarter (as against net outflows of US$ 3.4 billion in Q1 of 2009-10) mainly due to net inflows under non-resident Indian (NRI) deposits and overseas foreign currency borrowings of banks.

4.48 Net FDI flows (net inward FDI minus net outward FDI) amounted to US$ 3.2 billion during the quarter (almost half of the level in Q1 of 2009-10) mainly due to lower net inward FDI (at US$ 6.0 billion in Q1 of 2010-11 as compared to US$ 8.7 billion in Q1 of 2009-10). At US$ 2.8 billion net outward FDI was marginally higher than the corresponding 2009-10 figure (US$ 2.6 billion). The deceleration in FDI to India was mainly on account of lower FDI inflows under construction, real estate, and business and financial services. Net portfolio investments were also significantly lower at US$ 4.6 billion during the quarter (US$ 8.3 billion during Q1 of 2009-10), mainly due to deceleration in net FII flows on account of risk aversion of global investors following the sovereign debt crisis in the euro zone countries. As the capital account surplus was higher than the CAD, the overall balance was in surplus at US$ 3.7 billion, which resulted in a net accretion to foreign exchange reserves of equivalent amount on BoP basis during Q1 of 2010-11. **(Annex II - Table).**

4.49 As per the latest available information on capital inflows, FDI inflows were US$ 13.5 billion during April-September 2010 as compared to US$ 17.8 billion in the corresponding period during the previous year. FII inflows increased sharply to US$ 27.5 billion during April-15 October 2010 from US$ 18.4 billion a year earlier. ECB approvals were higher at US$ 10.6 billion during April-September 2010 (US$ 7.2 billion a year earlier), while NRI deposits (net) marginally declined to 2.2 billion during April-September 2010 vis-a-vis US$ 2.9 billion during the same period in 2009-10. The surge in FIIs could be attributed to relatively sound economic fundamentals and increased international liquidity due to easy monetary policies followed by many advanced economies.

Foreign exchange reserves

4.50 In fiscal 2010-11, foreign exchange reserves have shown an increasing trend, growing by US$ 13.8 billion from US$ 279.1 billion in end March 2010 to US$ 292.9 in end September 2010. The reserves further increased to US$ 298.0 billion by end October, 2010. This level of reserves provides about 10 months of import cover. Foreign currency assets (FCAs) are the major constituents of India's foreign exchange reserves. FCAs increased by US$ 10.5 billion (4.1 per cent) from US$ 254.7 billion in end March 2010 to US$ 265.2 billion in end September 2010. The increase was largely on account of valuation gain, reflecting the depreciation of the US dollar against the major currencies. They further increased to US$ 269.1 billion in end October 2010.

Exchange rate

4.51 Recent experience has underscored the issue of large and often volatile capital flows influencing short-term exchange rate movements against the grain of economic fundamentals and current account balances. Therefore, there is need to be vigilant against sharp and volatile exchange rate movements and their potentially harmful impact on the real economy. The movement of exchange rate in the year 2009-10 indicated that the average monthly exchange rate of the rupee against the US dollar appreciated by 12.6 per cent from ₹ 51.23 per US dollar in March 2009 to ₹ 45.50 per US dollar in the month of March 2010, mainly on account of weakening of the US dollar in the international market. In the first half of the current year, the average monthly exchange rate of the rupee depreciated by 1.2 per cent from ₹ 45.50 per US dollar in March 2010 to ₹ 46.06 per US dollar in September 2010 (Table 4.13).

Table 4.13.

Exchange rates of rupee per foreign currency and RBI's sale/purchase of US dollar in the exchange market during 2009-10 and 2010-11

Month	Monthly average exchange rates (₹ per foreign currency)*				RBI net sale (-) / purchase (+) US$ million
	US$	Pound sterling	Euro	Japanese yen**	
1	2	3	4	5	6
2009-10 (annual average)	47.44	75.76	67.03	51.11	(-) 2635
March 2010	45.50	68.44	61.77	50.18	
2010-11 (monthly average)					
April 2010	44.50 (2.2)	68.24 (0.3)	59.66 (3.5)	47.63 (5.4)	-
May 2010	45.79 (-2.8)	67.17 (1.6)	57.66 (3.5)	49.69 (-4.2)	-
June 2010	46.54 (-1.6)	68.70 (-2.2)	56.90 (1.3)	51.22 (3.0)	-
July 2010	46.84 (-0.6)	71.52 (-3.9)	59.76 (-4.8)	53.43 (-4.1)	-
August 2010	46.57 (0.6)	72.97 (-2.0)	59.97 (-0.3)	54.65 (-2.3)	-
September 2010	46.06 (1.1)	71.66 (1.8)	60.06 (-0.2)	54.54 (0.2)	

* FEDAI indicative rate; ** Per 100 yen , Figures in parentheses indicate appreciation (+) and depreciation (-) over the previous month.

***Source**: RBI.*

4.52 The 6-currency trade-based REER (base: 1993-94=100) of the rupee appreciated by 20.0 per cent between March 2009 and March 2010. The broader 36-currency trade-weighted REER also appreciated by 13.2 per cent during the same period largely reflecting the significant rise in inflation rate in India**.** In 2010-11 (upto Septmber 2010), while the 6-currency index showed an appreciation of 2.3 per cent, the 36-currency has depreciated by 1.6 per cent over March 2010. The 36-currency REER covers around 90 per cent of India's foreign trade and hence is more representative of India's external condition. If the positive inflation differentials persist and the tendency among some countries to use a depreciated exchange rate to boost their exports amplifies further, then the competitiveness of Indian exports may face pressures.

(2) External debt

4.53 India's external debt continues to remain within manageable limits as indicated by the external debt to GDP ratio of 18.9 per cent and debt service ratio of 5.5 per cent during 2009-10. As per the latest data available, India's external debt stood at US$ 273.1 billion in end June 2010, recording an increase of US$ 10.8 billion (4.1 per cent) over an estimate of US$ 262.3 billion in end March 2010. Increase in external debt was on account of significant rise in short-term trade credits, commercial borrowings, and multilateral government borrowings. The long-term debt accounted for 78.8 per cent and short-term debt 21.2 per cent. The share of Government debt (US$ 68.9 billion) in total external debt was 25.2 per cent, while the share of non-Government external debt (US$ 204.2 billion) was 74.8 per cent in end June 2010. The share of concessional debt in total external debt stood at 15.9 per cent in end June 2010 as compared to 16.7 per cent in end March 2010. The ratio of short-term debt to foreign exchange reserves at 21.0 per cent in end June 2010 was higher than the 18.8 per cent in end March 2010.

4.54 The active external debt management policy of the Government of India has helped contain the accumulation of external debt and maintain a comfortable external debt position. It continues to focus on monitoring long and short-term debt, raising sovereign loans on concessional terms with longer maturities, regulating through end-use and all-in-cost restrictions, and rationalizing interest rates on NRI deposits. As a consequence of this, the key external debt sustainability indicators remained at comfortable levels in end June 2010 (Table 4.14).

Table 4.14.

Key external debt indicators

(per cent)

Year	External debt (US$ billion)	Ratio of external debt to GDP	Debt service ratio	Ratio of concessional debt to total debt	Ratio of foreign exchange reserves to total debt	Ratio of short-term debt to foreign exchange reserves	Ratio of short-term debt to total debt
1	2	3	4	5	6	7	8
2005-06	139.1	16.7	10.1#	28.4	109.0	12.9	14.0
2006-07	172.4	17.5	4.7	23.0	115.6	14.1	16.3
2007-08	224.4	18.1	4.8	19.7	138.0	14.8	20.4
2008-09	224.5	20.5	4.4	18.7	112.2	17.2	19.3
2009-10 PR	262.3	18.9	5.5	16.7	106.4	18.8	20.0
EndJune 2010 QE	273.1	-	3.9	15.9	101.0	21.0	21.2

PR: Partially Revised; QE: Quick Estimates.

 # Works out to 6.3 per cent, excluding India millennium deposit repayments of US$ 7.1 billion and pre-payment of US$ 23.5 million.

Source: *Ministry of Finance, Government of India and RBI.*

E. Trade

4.55 World trade growth, which started coming down as a result of the global financial crisis coupled with recession in advanced economies in 2008 and 2009, reached its trough of (-)11.0 per cent in 2009 . However, after this, there has been a turnaround in both world trade growth and world GDP growth. The latest IMF (WEO, October 2010) world trade volume growth forecasts are at 11.4 per cent and 7.4 per cent for 2010 and 2011 respectively. World trade volume growth has been revised upwardly by 2.4 percentage points over the earlier projections.

Trade performance during 2009-10

4.56 On account of the global recessionary trends in 2009, India's merchandise exports during 2009-10 valued at US $ 179 billion were lower by 3.5 per cent over the previous year. During 2009-10, the total value of imports was US $ 288 billion registering a growth rate of (-) 5.0 per cent over the previous year. Petroleum, oil, and lubricants (POL) imports accounted for about 30.2 per cent of India's total imports with a growth of (-) 7 per cent.

Trade performance (on customs basis) during 2010-11 (April- September)

4.57 During the current year (April- September), the cumulative value of exports was US$ 103.65 billion as against US$ 80.95 billion in 2009-10 (April-September), registering a growth of 28.0 per cent in dollar terms. The cumulative value of imports for the same period was US$ 166.48 billion as against US$ 128.13 billion during the corresponding period of the previous year, registering a growth of 29.9 per cent in dollar terms. Oil imports were at US$ 48.72 billion, which was 30.0 percent higher than those of US$ 37.48 billion in the corresponding period last year. Non-oil imports were at US$ 117.76 billion, which was 29.9 per cent higher than the US$ 90.66 billion in the corresponding period of the previous year. Significant export growth is noticed in the case of commodities like engineering goods, petroleum products, gems and jewellery, iron ore, coffee, spices, plastic and linoleum, carpets, other basic chemicals, mica, coal and other ores, minerals including processed minerals, cotton yarn/fabrics/made-ups including handloom products. Imports registering significant growth are petroleum crude and products, pearls, semi-precious and precious stones. Organic and inorganic chemicals, newsprint, coal, coke, and briquettes, metalliferous ores and products, artificial resins, plastic materials, etc., project goods, non-ferrous metals and medicinal and pharmaceutical products.

4.58 The growth performance of exports and imports (in US dollar terms) for the first half and also the first two quarters of this year (Table 4.15) shows that export growth revived in Q3 of 2009-10 and was high in Q4 of 2009-10 and Q1 of 2010-11. While this is partially due to the base effect, it is also due to actual revival in exports. However, in Q2 of 2010-11 export growth has moderated with lower demand from some trading partners like the European Union (EU). Import growth on the other hand has continued to be high in Q1 and Q2 of 2010-11 after the very high growth in Q4 of 2009-10. In fact, non-POL import growth has been very high in Q2 of 2010-11. Even if gold and silver imports are deducted and non-POL-non-bullion import is taken, it is also high at 30.4 per cent. This is a reflection of the continuing demand for imports needed for domestic industrial activity and exports.

Table 4.15. Year-on-year growth rate of exports and imports (per cent)

	2008-09							2009-10							2010-11		
	Q1	Q2	Q3	Q4	HY1	HY2	FY	Q1	Q2	Q3	Q4	HY1	HY2	FY	Q1	Q2	HY1
Exports	57.0	39.6	-8.4	-20.3	48.1	-14.7	29.0	-31.8	-19.1	19.6	36.7	-25.7	28.0	-3.5	37.4	19.6	28.0
Imports	49.0	61.2	7.4	-27.0	55.1	-10.4	35.5	-29.6	-31.8	15.1	62.5	-30.7	35.0	-5.0	28.8	31.0	29.9
POL	73.2	91.8	-10.2	-50.3	82.6	-32.7	39.8	-43.6	-38.3	35.7	102.7	-40.8	63.5	-7.0	54.7	10.3	30.0
Non-POL	39.3	48.5	15.3	-13.3	43.9	1.2	33.6	-22.6	-28.3	7.8	48.9	-25.5	25.2	-4.2	19.4	40.6	29.9
Net-POL	91.7	113.6	13.8	-52.7	103.0	-26.7	33.7	-40.1	-40.0	18.0	98.1	-40.0	49.5	-10.9	39.4	-	-

Source*: Computed from DGCI&S and Department of Commerce data.*

4.59 Trade Deficit for the first half of 2010-11 was at US $ 62.83 billion which was 33.2 per cent higher than the corresponding figure of US $ 47.18 billion for 2009-10. Import growth of some of India's major trading partners, which was negative in almost all the months of 2009 except the last one or two, shows a revival and is even high in most of the months during the first eight months of 2010. There was, however, a slight deceleration in import growth in June-July 2010, particularly in the case of the EU (Table 4.16).

Table 4.16. Month-wise growth rate of exports and imports of some of India's major trading partners

	USA		EU		China		Hong Kong		Japan		Singapore	
	export	import	export	import	export	import	export	import	export	import	export	import
2009m10	-10.1	-21.3	-6.9	-9.9	-13.9	-6.4	-13.0	-10.6	-14.7	-28.3	-3.8	-11.4
2009m11	-2.6	-3.5	11.9	6.1	-1.2	26.8	1.3	6.5	1.6	-9.7	13.3	4.4
2009m12	12.3	5.2	10.5	7.2	17.7	55.9	9.2	18.7	14.2	-3.6	30.6	23.3
2010m1	18.6	10.2	11.9	9.5	21.0	85.9	18.3	39.4	39.9	8.1	46.0	37.5
2010m2	16.6	22.5	17.5	15.5	45.7	44.9	28.3	22.2	48.9	32.7	28.0	25.2
2010m3	25.7	29.2	23.9	22.8	24.2	66.3	31.9	39.6	55.6	30.8	40.7	43.0
2010m4	26.7	28.4	19.7	20.4	30.4	49.8	21.5	28.6	48.8	31.8	41.6	43.7
2010m5	26.1	33.9	12.3	14.5	48.5	48.3	23.8	29.1	38.6	40.2	35.3	26.7
2010m6	23.3	33.0	8.1	9.5	43.9	34.0	26.1	30.4	35.6	34.0	33.1	31.4
2010m7	21.5	21.3	5.3	7.5	38.0	22.7	22.9	24.5	33.1	24.7	22.7	28.1
2010m8	22.4	30.6	13.1	13.7	34.4	35.2	35.7	28.1	28.1	30.8	33.7	26.6
2010m9	-	-	-	-	25.1	24.1	23.8	19.2	24.0	19.1	26.7	13.9

***Source**: World Trade Organization (WTO).*

Composition and direction of exports

4.60 The Q1 of 2010-11 (April-June) witnessed robust export growth in items like petroleum products, engineering goods, chemicals and related products, and ores and minerals. Leather and manufactures, gems and jewellery, and textiles registered moderate growth. Negative export growth was recorded in electronic goods. The share of petroleum products in total exports increased from 11.6 per cent in Q1of 2009-10 to 16.6 per cent in the first quarter of 2010-11.

4.61 Growth in India's exports to the US, EU, and the rest of the world of principal commodities consisted of positive growth in the case of exports to the US of important items like gems and jewellery, chemicals and related products, textiles and leather and manufactures in Q1 of 2010-11 (Table 4.17). All the principal exports to the US had negative growth rates in Q1 of 2009-10, except marine products. In the case of Indian exports to the EU, though recovery was moderate in Q1 of 2010-11, high growth was registered in major items like petroleum products, chemicals and related products, gems and jewellery, and ores and minerals. However, items like textiles with negative growth (though at modest levels) and engineering and electronic goods with low but positive growth were lagging. In the case of India's exports to "Others", or the rest of the world also recovery could be seen in Q1 of 2010-11 with high growth in major items like petroleum products, chemicals and related products, ores and minerals, engineering goods, and even textiles, leather, and manufactures; and moderate growth in gems and jewellery. Only electronic goods registered low export growth to this destination from India. In the case of India's total destination-wise exports, export growth to the EU only is moderate in Q1 of 2010-11 while it is high for other destinations.

Table 4.17 Share and growth rate of export of some principal commodities

Group	Share		Growth rate in US $ terms			
	2009-10 (Apr.-Mar.)	2010-11 Q1	2008-09 (Apr.-Mar.)	2009-10 (Apr.-Mar.)	2009-10 Q1	2010-11 Q1
1	2	3	4	5	6	7
Agri. & allied products (incl plantation)						
World	7.6	6.3	7.5	-12.4	-34.4	0.0
USA	5.7	5.1	9.3	-11.6	-30.3	28.6
EU	6.9	6.8	1.8	-6.4	-27.6	9.8
Others	8.2	6.4	8.6	-13.9	-36.1	-4.9
Marine products						
World	1.2	0.7	-10.9	36.6	8.2	5.4
USA	1.1	0.9	-5.4	-1.8	31.6	17.6
EU	1.7	1.1	-12.8	15.8	-12.7	-8.1
Others	1.0	0.6	-11.0	60.7	17.9	9.6
Ores & minerals						
World	4.9	5.3	-13.7	10.5	-37.0	81.5
USA	0.2	0.1	-8.4	-33.4	-33.6	1.9
EU	0.6	0.9	-31.2	-11.7	-49.1	59.3
Others	6.9	7.2	-12.9	11.5	-36.5	82.6
Leather & manufactures						
World	1.9	1.6	2.3	-6.1	-26.9	23.4
USA	1.5	1.2	17.6	-18.0	-32.9	29.9
EU	6.1	5.6	1.5	-1.8	-24.2	12.2
Others	0.7	0.7	-0.4	-11.8	-30.6	46.9
Gems & Jewellery						
World	16.3	14.3	44.3	2.4	-32.3	22.4
USA	24.2	19.6	-7.7	2.8	-33.8	34.8
EU	6.7	7.7	24.8	-26.2	-53.0	29.1
Others	17.8	15.0	69.8	6.8	-28.5	19.4
Chemicals & related Products						
World	13.7	13.0	7.6	1.4	-21.5	35.3
USA	15.0	15.5	14.8	9.3	-13.0	62.3
EU	10.3	12.0	9.9	-11.2	-31.0	39.0
Others	14.4	12.9	6.0	3.3	-20.4	30.4

1	2	3	4	5	6	7
Engineering goods						
World	18.2	22.3	20.0	-19.6	-30.7	41.5
USA	17.1	25.4	16.1	-33.9	-36.2	93.4
EU	20.8	21.2	25.7	-25.1	-44.4	0.9
Others	17.6	22.0	18.7	-14.6	-23.6	47.6
Electronic goods						
World	3.1	2.0	104.7	-21.5	-15.8	-30.0
USA	4.1	3.5	34.0	-14.3	-16.5	17.7
EU	3.7	3.4	86.7	-25.6	-26.9	4.5
Others	2.8	1.4	141.3	-21.4	-11.7	-48.5
Textiles						
World	10.7	9.8	4.5	-0.9	-16.8	17.1
USA	17.9	16.4	-4.1	-7.9	-18.5	20.7
EU	18.2	17.8	8.3	-6.6	-15.5	-3.5
Others	7.4	6.9	5.8	6.8	-17.1	32.8
Handicrafts						
World	0.1	0.1	-40.4	-25.6	-36.2	0.9
USA	0.3	0.2	-45.2	-22.1	-25.1	-2.0
EU	0.2	0.2	-21.6	-24.8	-49.8	-2.9
Others	0.1	0.0	-49.5	-28.5	-24.4	6.8
Carpets						
World	0.4	0.4	-17.0	-6.1	-43.9	49.0
USA	1.2	1.2	-25.4	-12.9	-43.8	39.7
EU	0.9	0.9	-16.7	-2.2	-43.5	26.5
Others	0.1	0.2	-0.7	-2.7	-44.7	109.4
Petroleum products						
World	15.8	16.5	-3.0	2.3	-51.6	96.8
USA	2.1	2.2	-77.6	168.0	-6.0	73.9
EU	16.8	14.8	5.4	45.3	-28.4	56.6
Others	17.6	19.2	-2.4	-6.5	-55.5	106.9
Total exports						
World	100.0	100.0	13.6	-3.5	-31.8	37.4
USA	100.0	100.0	2.0	-7.6	-25.3	45.5
EU	100.0	100.0	13.9	-8.4	-33.3	15.2
Others	100.0	100.0	15.7	-1.3	-32.3	42.5

***Source**: Computed from DGCI&S and Department of Commerce data.*
Note: Q1 refers to April-June.

4.62 India's imports of principal commodity groups show high growth of bulk imports, pearls, precious and semi-precious stones, and project goods in Q1 of 2010-11 (Table 4.18). But machinery import growth continues to be negative though it is less negative.

Table 4.18 Imports of principal commodities/groups

Commodity	Share		Growth rate in US $ terms			
	2009-10 (Apr.-Mar.)	2010-11 Q1	2008-09 (Apr.-Mar.)	2009-10 (Apr.-Mar.)	2009-10 Q1	2010-11 Q1
A) Bulk imports	**42.9**	**45.9**	**23.3**	**-10.6**	**-41.0**	**48.9**
of which						
01 Fertilizers	2.4	2.3	151.9	-50.1	-32.6	6.5
02 Edible oil	1.9	1.7	32.9	64.8	100.9	8.1
03 Non-ferrous metals	1.0	1.2	71.2	-50.0	-79.5	41.4
04 Metalliferrous ores & products	2.7	3.1	2.0	-4.3	-28.8	43.4
05 Iron & Steel	2.9	3.8	9.6	-13.3	-24.9	67.1
06 Petroleum crude & products	30.2	32.0	17.4	-7.0	-43.6	54.7
B) Pearls, precious & semi-precious stones	**5.7**	**8.4**	**111.3**	**-3.0**	**-49.1**	**133.1**
C) Machinery	**12.6**	**9.8**	**-9.5**	**-11.7**	**-25.1**	**-7.8**
D) Project goods	**1.6**	**2.1**	**146.4**	**47.9**	**50.6**	**47.1**
E) Others	**37.2**	**33.8**	**22.9**	**3.0**	**-13.0**	**8.4**
of which						
01 Pulses	0.7	0.4	-3.7	61.2	31.9	-18.2
02 Coal,coke,&briquettes	3.1	3.5	56.7	-11.0	-13.5	20.4
03 Organic & inorganic chmls	4.1	4.7	24.9	-3.7	-16.5	26.8
04 Dyeing,tanning matrl	0.3	0.3	11.8	8.4	-2.7	14.8
05 Medicinal&Pharma.prds	0.7	0.7	12.9	11.3	-4.4	18.0
06 Artfl.resins, etc.	1.7	2.2	7.9	25.5	16.5	37.6
07 Chemical products	0.8	0.9	29.9	8.7	-12.4	46.2
08 Manufactures of metals	0.8	0.8	21.7	-26.1	-38.6	16.8
09 Profl instruments, etc.	1.3	1.2	43.7	-18.0	-17.2	-4.4
10 Electronic goods	7.3	5.4	13.6	-10.7	-17.1	-17.4
11 Gold & silver	10.3	7.2	26.4	32.8	-7.6	-3.4
Total imports	**100.0**	**100.0**	**20.7**	**-5.0**	**-29.6**	**28.8**

Source: *Computed from DGCI&S and Department of Commerce data.*
Note: Q1 refers to April-June.

Direction of trade

4.63 In 2009-10, India's exports to Europe, Africa, and America regions witnessed negative growth of (-) 8.4 per cent, (-) 9.5 per cent and (-) 6.3 per cent respectively. India's exports to Asia and the Association of South East Asian Nation (ASEAN) region registered low negative growth of (-)0.16 per cent and within Asia and the ASEAN region, its exports to north-east Asia (China, Hong Kong, Japan, etc.) witnessed positive growth of 13.6 per cent with a share of 16.2 per cent. India's imports from Europe, America, and Asia and ASEAN registered negative growth of 2.7 per cent, 4.9 per cent and 7.0 per cent respectively. During 2010-11 (April-June), India's exports to Asia and ASEAN registered a growth of 37.2 per cent with a share of 54.1 per cent in India's total exports. India's exports to America (North and Latin America) witnessed a growth of 53.1 per cent (16.3 per cent share) and to Europe a growth of 16.5 per cent (18.3 per cent share). During 2010-11 (April-June), India's imports from Asia & ASEAN registered a growth of 30.1 per cent (62.6 per cent share in India's total imports); from America (North and Latin America) a growth of 50.2 per cent (11.2 per cent share) and from Europe a growth of 7.4 per cent (16.4 per cent share).

Foreign Trade Policy (FTP) 2009-14

4.64 The Foreign Trade Policy (FTP) (2009-14 Annual Supplement), announced by the Government on 23rd August 2010 targets to double India's trade by 2014 with an annual export growth of 25 per cent per annum and making exports growth an engine for generating additional economic activity and employment generation. However, the immediate objective of the FTP was to arrest and reverse the declining trend of exports and also providing benefit to those sectors which are still struggling. Labour intensive sectors are being given special attention and the policy parameters have been crafted to enhance the competitiveness of India's exports by supporting upgradation in technologies. Export target of US$ 200 billion by March 2011 has been set. The major policies announced in the FTP 2009-14 are given in Box 4.2.

Box 4.2. Important Interventions announced in FTP (2009-14) on 23rd August 2010

- The Duty Entitlement Pass Book (DEPB) Scheme has been extended upto 30th June 2011.
- The Zero Duty Export Promotion Capital Goods (EPCG) Scheme has been extended upto 31st March 2012 and the coverage has been enhanced for certain chemicals & allied Products, rubber, Marine Products, sports Goods & toys, and certain engineering Products.
- The Status Holder Intensive Scheme (SHIS) has been extended upto 31st March 2012 and is expanded to broadly cover the new sectors under the Zero Duty EPCG Scheme. Additional duty credit scrip has been accorded to Status Holders.
- A new facility of Annual EPCG Authorization for the exporters has been introduced with a view to reduce the transaction cost and time for exporters.

- A bonus incentive is being provided to sectors whose exports are still not doing well. This specially covers labour intensive sectors like Handicrafts, Handlooms, Silk Carpets, Leather & leather Manufactures, Sports Goods, Toys, and some Bicycle Parts.
- The Market Linked Focus Product Scrip (MLFPS) Scheme for export of Readymade Garments to EU has been extended upto 31st March 2011.
- The facility of interest subvention of 2 percent , currently available for handicrafts, handlooms, carpets and SMEs, has been extended for a number of specified products pertaining to leather and leather manufactures, jute manufacturing including floor covering, engineering goods and textile sector for the year 2010-11.
- Advance authorization for physical exports and deemed exports will be brought under a single customs notification in order to facilitate clubbing and closure of authorizations. The requirement of chartered engineer certificate for advance authorization under ad hoc norms is being dispensed with and such norms are being made applicable to all cases of the same export product up to one year retrospectively also.

F. Money and banking

Monetary policy stance during 2010-11

4.65 The accommodative monetary policy which was pursued beginning mid-September 2008 instilled confidence in market participants, mitigated the adverse impact of the global financial crisis on the economy, and ensured that it started recovering ahead of most other economies. However, in view of the rising food inflation and the risk of it impinging on inflationary expectations, the Reserve Bank embarked on the first phase of exit from the expansionary monetary policy in October 2009 itself.

4.66 By April 2010, available data suggested that the recovery was firmly in place, though inflationary pressures accentuated. Accordingly, both repo and reverse repo rates as well as the cash reserve ratio (CRR) were increased by 25 basis points each. The monetary policy stance in April 2010 was guided by the following three considerations. First, the need to move in a calibrated manner in the direction of normalizing the policy instruments in a scenario where real policy rates were still negative. Second, the need to ensure that demand-side inflation did not become entrenched. Third, the need to balance the monetary policy imperative of absorbing liquidity while ensuring that credit was available to both the government and the private sector.

4.67 Significant developments took place subsequent to the announcement of the monetary policy in April 2010. Though recovery was consolidating, developments on the inflation front raised several concerns. Overall, WPI inflation (old series) increased to 10.2 per cent (provisional) in May 2010, and year-on-year WPI non-food manufacturing products inflation, which was (-) 0.4 per cent in November 2009 and 5.4 per cent in March 2010, rose further to 6.6 per cent in May 2010. The upward revision in administered fuel prices on 25 June 2010 was also expected to influence inflation in the months ahead. Accordingly, the repo rate and the reverse repo rate under the LAF were increased by 25 basis points each on 2 July 2010.

4.68 In the interests of consolidating and of more broad-based domestic recovery and with the then level of consumer price inflation in double digits, the First Quarter Review of the RBI (July 2010) upwardly revised the baseline projection of real GDP growth for the year to 8.5 per cent and raised the projection for WPI inflation for March 2011 to 6.0 per cent (Table 4.19). Consistent with this assessment, the repo rate was increased by 25 basis points and reverse repo by 50 basis points. The monetary policy actions were intended to moderate inflation by reining in demand pressures and inflationary expectations, maintain financial conditions conducive to sustaining growth, generate liquidity conditions consistent with more effective transmission of policy actions, and reduce the volatility of short-term rates in a narrower corridor.

4.69 Given the context of the changing liquidity dynamics, particularly between surplus and deficit modes, it was proposed to set up a working group to review the operating procedure of the RBI's monetary policy, including the LAF. It was also announced that mid-quarter reviews of monetary policy would be made in June, September, December, and March.

4.70 As decided in the First Quarter Review, on the basis of assessment of the macroeconomic situation, the RBI in its Mid-Quarter Review on 16 September 2010 decided to increase the repo rate under the LAF by 25 basis points from 5.75 per cent to 6.0 per cent and the reverse repo rate by 50 basis points from 4.5 per cent to 5.0 per cent.

4.71. The Second Quarter Review of Monetary Policy for 2010-11 (released on 2 November 2010) noted that the fragile and uneven nature of the recovery and large unemployment in advanced economies raised concerns about the sustainability of the global turnaround whereas the Indian economy was operating close to the trend growth rate, driven mainly by domestic factors. However, notwithstanding some moderation in recent months, headline inflation in India remained significantly above its medium-term trend and well above the comfort zone of the Reserve Bank (Table 4.19). Accordingly, the RBI further increased the repo rate by 25 basis points to 6.25 per cent and the reverse repo rate also by 25 basis points to 5.25 per cent on November 2, 2010. The CRR has been retained unchanged at 6 per cent of NDTL of banks.

Table 4.19: Indicative projections of macro parameters for 2010-11 by the RBI

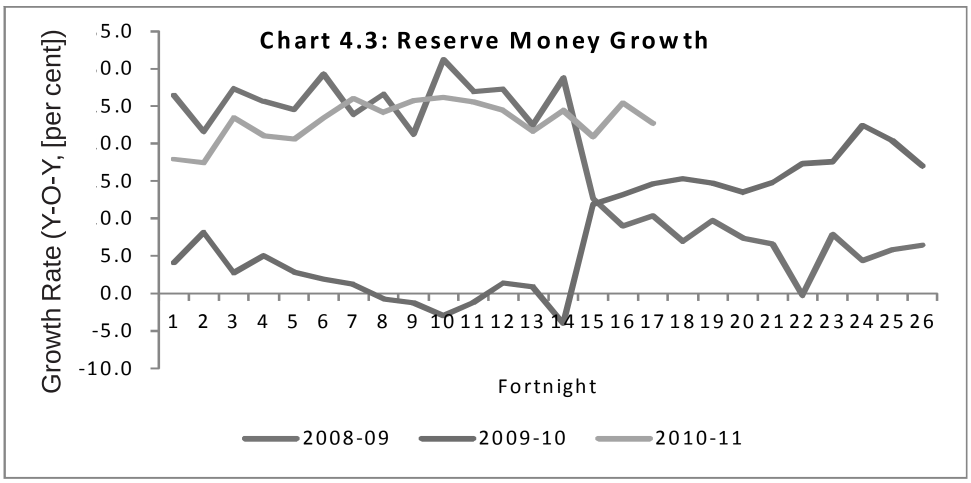
	Indicative projections for growth rates (per cent)		
	Annual policy 2010-11 (20 April 2010)	First Quarter Review (27 July 2010)	Second Quarter Review (2 Nov. 2010)
GDP growth	8.0	8.5	8.5
WPI inflation	5.5**	6.0**	5.5
Money supply growth (M_3)	17.0	17.0	17.0
*Adjusted non-food credit	20.0	20.0	20.0

* *Includes investment by scheduled commercial banks (SCBs) in bonds/debenture/shares of public-sector undertakings, private corporate sector and commercial paper.*

** *Old series.*

Reserve money

4.72 Growth in M_0 remained high during much of 2010-11. During Q1 of 2010-11, M_0 increased by 23.4 per cent on a year-on-year basis as against an increase of 1.9 per cent in the corresponding quarter of 2009-10. This partly reflects the increase in prescribed CRR by 50 basis points w.e.f. 13 February 2010, 25 basis points w.e.f. 27 February 2010 and 25 basis points w.e.f. 24 April 2010. In Q2, growth in M_0 was 21.6 per cent as against negligible growth of 0.9 per cent recorded during the second quarter of 2009-10. The movements in fortnightly M_0 growth year-on-year basis are presented in Chart 4.3).

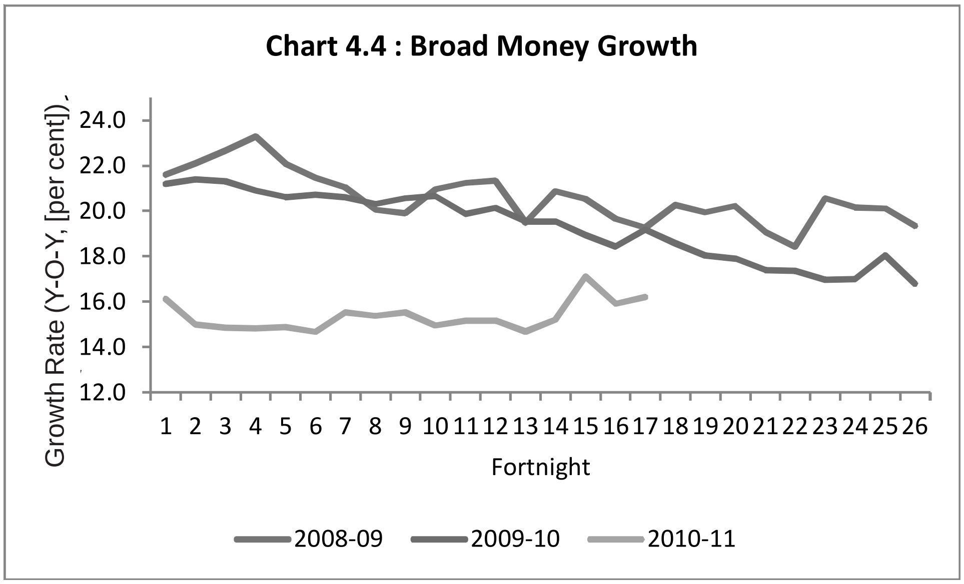


4.73 On a financial-year basis, M_0 showed an increase of 1.6 per cent during the period April to end September 2010, as against a decrease of 2.3 per cent a year earlier. During the financial year so far (up to 22 October 2010), reserve money increased by 1.5 per cent as against a decrease of 1.8 per cent last year.

4.74 Movements in the RBI's net credit to the Central Government during 2010-11 so far largely reflect the liquidity management operations of the RBI and changes in Central Government deposits with the RBI. With the tightening of liquidity conditions, the RBI started injecting liquidity through repo under the LAF beginning end-may 2010. It resorted to unwinding MSS securities in the wake of the global crisis in the second half of 2008-09. As all the securities held under the MSS have been unwound / redeemed, there has been no MSS balance since end July 2010.

Broad money

4.75 During 2010-11, in the first two quarters, M_3 growth remained below the levels in the corresponding period of the preceding year. At the end of the first quarter of 2010-11, year-on-year growth in M_3 was 14.7 per cent as against an increase of 20.7 per cent in the first quarter of 2009-10. At the end of the second quarter, growth in M_3 on year-on-year basis was 14.7 per cent as against 19.5 per cent in the second quarter of 2009-10. (Chart 4.4).



4.76 On financial-year basis, growth in M_3 at the end of the first quarter of 2010-11 was 1.4 per cent as against 3.4 per cent in the corresponding period of the previous year; by the end of the second quarter of 2010-11, growth in M_3 (on financial-year basis) was 4.9 per cent as against 6.8 per cent last year. As on 8 October 2010, M_3 growth on financial-year basis was 6.5 per cent as against 7.9 per cent in the corresponding period of the previous year. The year-on-year M_3 growth as on 8 October 2010 was 15.2 per cent as against 19.5 per cent on the corresponding date last year.

4.77 Much of the expansion in M_3 during the financial year 2010-11 (up to 8 October 2010) resulted from an increase in commercial banks' credit to the Government. On the other hand, net Reserve Bank credit to the Centre during 2010-11 (up to 8 October 2010) decreased, reflecting large build-up in the Centre's surplus with the Reserve Bank which offset the increased repo transactions under the LAF. The money multiplier declined from 5.3 in the first fortnight of April 2010 to 5.1 in the first fortnight of October 2010 (Table 3 of Annex-II).

Bank credit

4.78 The year-on-year variation in outstanding credit at the end of the first half of 2010-11 was 20.1 per cent as against 10.7 per cent on the corresponding date of the previous year. Non-food credit recorded an increase of 20.1 per cent as on 8 October 2010 as against an increase of 11.1 per cent recorded on the corresponding date last year.

4.79 On financial-year basis, for the first half of the year 2010-11, growth in credit extended by the SCBs stood at 6.9 per cent (April to 8 October 2010) as compared to 4.1 per cent in the corresponding period of 2009-10 . The year-on-year growth in bank credit was little above the RBI's indicative projected trajectory of 20.0 per cent for the full year, as set out in the First Quarter Review for 2010-11. The higher expansion in credit relative to the lower expansion in deposits during 2010-11 has resulted in an increase in the incremental credit-deposit ratio to 91.6 per cent on 8 October 2010 from 70.9 per cent in end March 2010.

4.80 The year-on-year deposit growth slowed down to 15.0 per cent as on 8 October 2010 from 20.0 per cent a year earlier. One of the reasons for deceleration in bank deposits was financing of 3G spectrum and broadband wireless access (BWA) auctions by the banks. Time deposits decelerated because of withdrawal of deposit by public-sector undertakings and mutual funds.

4.81 Driven by lower market borrowing by the Government, SCBs' investment in statutory liquidity ratio (SLR) securities slowed down. Commercial banks' holdings of such securities close to 28.6 per cent of their NDTL in early October 2010 were higher than the stipulated SLR level of 25 per cent.

4. 82 Disaggregated data on sectoral deployment of gross bank credit available up to 24 September 2010 show that barring the agriculture and allied sector, all the other three major sectors, viz. industry, personal loans, and services recorded acceleration in growth of credit (Table 4.20).

Table 4.20. Growth in sectoral deployment of gross bank credit year-on-year

S.No.	**Sector**	**Year-on-year variations (per cent)**	
		25 September 2009	**24 September 2010**
	Non-food gross bank credit (1 to 4)	12.7	18.7
1.	Agriculture and allied activities	22.4	19.3
2.	Industry	16.3	24.4
3.	Personal loans (A to E)	2.4	8.6
	a. Housing	6.4	10.4
	b. Advances against fixed deposits	-2.5	13.7
	c. Credit card outstanding	-17.2	-23.7
	d. Education	33.2	23.6
	e. Consumer durables	-10.0	12.5
4.	Services (F to J)	11.8	17.4
	f. Transport operators	3.4	37.5
	g. Professional services	18.5	15.9
	h. Trade	16.2	10.6
	i. Real estate	34.1	7.9
	j. Non-banking financial companies	29.4	18.5
A.	Priority sector	16.3	19.1

Source : *RBI*

4.83 The increase in bank credit to the commercial sector has also been supplemented by higher flow of funds from other sources. According to some preliminary estimates, the total flow of financial resources from banks, non-banks, and external sources to the commercial sector during Q2 of 2010-11 was at ₹ 4,85,000 crore as against ₹ 3,29,000 crore during Q2 of 2009-10. Disaggregated data suggest that credit growth to all major sectors such as agriculture, industry, services, and personal loans had begun to improve from November 2009 onwards. While the resource flow from non-bank sources was marginally higher in 2010-11, the total flow of financial resources to the commercial sector increased in comparison with the corresponding period of 2009-10 due to peaking of bank credit. (Table 4.21)

Table 4.21: Flow of resources to the commercial sector

(₹. crore)

S.No.	Item	Full year		Apr.-Oct.		
		2008-09	2009-10	2009-10	2010-11	
A.	Adjusted non-food credit	4,21,091	4,80,258	1,06,575	2,55,674	*
B.	Flow from non-bank (B_1+B_2)	4,39,926	5,80,821	2,22,780	2,29,519	**
B1	Domestic sources	2,58,132	3,64,989	1,45,829	1,30,141	
B2	Foreign sources	1,81,794	2,15,832	76,950	99,379	
C	Total flow of resources (a+b)	8,61,017	10,61,071	3,29,355	4,85,193	

* *up to October 8, 2010.*

** *comparable period for respective items*

***Source** : RBI*

Policy rates / interest rates

4.84 Since October 2009, when the RBI signalled the reversal of its policy stance, it has cumulatively raised the CRR by 100 basis points on 3 occasions (in two announcements). The repo and reverse repo rates under the LAF have been hiked six times amounting to a total of 150 basis points and 200 basis points respectively. Currently, the CRR stands at 6.0 per cent of the NDTL and repo and reverse repo rates at 6.25 per cent and 5.25 per cent respectively (Table 4.22).

Table 4.22. Revision in policy rates

(per cent)

Effective date	Repo	Reverse repo	Cash reserve ratio
2009			
05.01.2009	5.50	4.00	
17.01.2009			5.00
05.03.2009	5.00	3.50	
21.04.2009	4.75	3.25	
2010			
13.02.2010			5.50
27.02.2010			5.75
19.03.2010	5.00	3.50	
20.04.2010	5.25	3.75	
24.04.2010			6.00
02.07.2010	5.50	4.00	
27.07.2010	5.75	4.50	
16.09.2010	6.00	5.00	
02.11.2010	6.25	5.25	

4.85 The changes in the RBI's policy rates were quickly transmitted to the money and G-Sec markets. Taking cues from the policy rates and CRR changes by the RBI, banks have so far increased their deposit rates in the range of 25-125 basis points across various maturities during February – October 2010 (Table 4.23).

4.86 On the lending side, the base rate system replaced the benchmark prime lending rate (BPLR) system with effect from 1 July 2010. Base rates of the SCBs were fixed in the range of 5.50-9.00 per cent. Subsequently, several banks reviewed and increased their base rates in the 10–50 basis points range in September/October 2010. As many as 53 banks with a share of 94 per cent in total bank credit fixed their base rates in the 7.50-8.50 per cent range, indicating further convergence in the base rates announced by banks.

Table 4.23. Deposit and lending rates of SCBs

(per cent)

	Mar. 2009	Sep. 2009	Dec. 2009	Mar. 2010	Jun. 2010	Oct.2010@
1. Domestic deposit rate						
Public-sector banks						
Up to 1 yr	2.75-8.25	1.00-6.75	1.00-6.25	1.00-6.50	1.00-6.25	1.00-7.00
1 yr to 3 yrs	8.00-9.25	6.50-7.50	6.00-7.25	6.00-7.25	6.00-7.25	7.00-7.75
above 3 yrs	7.50-9.00	6.50-8.00	6.25-7.75	6.50-7.75	6.50-7.75	7.00-8.00
Private-sector banks						
Up to 1 yr	3.00-8.75	2.00-7.00	2.00-6.75	2.00-6.50	2.00-6.50	2.50-7.25
1 yr to 3 yrs	7.50-10.25	5.25-8.00	5.25-7.50	5.25-7.75	6.25-7.50	6.50-8.25
above 3 yrs	7.50-9.75	5.75-8.25	5.75-8.00	5.75-8.00	6.50-8.00	6.50-9.00
Foreign banks						
Up to 1 yr	2.50-8.50	1.25-8.00	1.25-7.00	1.25-7.00	1.25-7.00	1.25-7.30
1 yr to 3 yrs	2.50-9.50	2.25-8.50	2.25-7.75	2.25-8.00	3.00-8.00	3.00-8.00
above 3 yrs	2.50-10.00	2.25-8.50	2.25-8.50	2.25-8.75	3.00-8.50	3.00-8.25
2. BPLR						
Public-sector banks	11.50-14.00	11.00-13.50	11.00-13.50	11.00-13.50	11.00-13.50	7.50-8.50#
Private-sector banks	12.75-16.75	12.50-16.75	12.50-16.75	12.50-16.75	12.50-16.75	7.00-9.00
Foreign banks	10.00-17.00	10.50-16.00	10.50-16.00	10.50-16.00	10.50-16.00	5.50-9.00
3. Actual lending rate*						
Public -sector banks	3.50-18.00	4.25-18.00	3.25-18.00	3.25-18.00	3.25-18.00	NA
Private-sector banks	4.75-26.00	3.00-29.50	3.50-25.84	3.00-28.00	3.60-25.00	NA
Foreign banks	5.00-25.50	3.73-21.99	3.50-22.00	3.60-23.00	2.80-26.00	NA

* *Interest rate based on non-export demand and term loan above 2 lakh excluding lending rates at the extreme 5 per cent on both sides.*

@ *As on 15 October 2010.*

\# *Base Rate relates to all Scheduled Commercial Banks since 1 July 2010. Earlier figures relate to the BPLR.*

Source *: RBI*

Liquidity management

4.87 In terms of the evolution of liquidity conditions, the scale of surplus liquidity in the system increased initially at the commencement of financial year 2010-11 on account of higher Government expenditure. The average daily absorption under the LAF increased to ₹ 57,150 crore in April 2010 from ₹ 37,640 crore in March 2010. Surplus liquidity in the domestic market gradually declined from May 2010. The liquidity conditions turned deficit from 31 May 2010 due to sharp increase in Government balances with the RBI, on account of higher-than-anticipated mobilization under the 3G/BWA spectrum auction besides the first instalment of advance tax payments.

4.88 In anticipation of temporary tightening of liquidity conditions, the RBI introduced measures allowing SCBs to avail themselves of additional liquidity support of up to 0.5 per cent of their NDTL under the LAF and also access to a second LAF (SLAF) on a daily basis for the period 28 May -2 July 2010. The average daily injection under the LAF during June 2010 was around ₹ 47,000 crore in contrast to the average daily absorption of around ₹ 33,000 crore in May 2010.

4.89 During the Q2 of 2010-11, the liquidity conditions generally remained in deficit mode. The Centre's surplus balances with the RBI remained the key driver of liquidity conditions. With the persistence of deficit liquidity conditions, the RBI extended the liquidity-easing measures introduced earlier, i.e. allowing SCBs to avail of additional liquidity support under the LAF of up to 0.5 per cent of their NDTL and also operation of a SLAF on a daily basis till 16 July 2010. On an assessment of the prevailing overall liquidity conditions and with a view to providing flexibility to the SCBs in liquidity management, the RBI further extended the SLAF on a daily basis till 30 July 2010. The average daily liquidity injection under the LAF remained at around ₹ 47,000 crore during July 2010.

4.90 Liquidity conditions, which remained tight between end May 2010 and July 2010 due to huge outflow of liquidity from the system, eased in August 2010. After alternating between surplus and deficit for a brief period, the LAF window of the RBI has remained in injection mode since 9 September 2010 with an average daily net injection of around ₹ 24,000 crore in September and ₹ 61,700 crore in October 2010 and a peak injection of Rs1,28,685 crore on 30 October 2010.

4.91 With a view to alleviating frictional liqudity pressure, on 29 October 2010 the RBI decided to conduct a second LAF and also allowed the SCBs to avail of additional liquidity support of up to 1.0 per cent of their NDTL as on 8 October 2010 under the LAF . In view of the likely persistence of frictional liquidity pressure and in order to provide liquidity comfort, these measures have been extended up to 4 November 2010.

4.92 Tight liquidity conditions helped strengthen the transmission from policy rates to commercial lending rates. Desirable as these conditions may be from the viewpoint of inflation management, there are legitimate concerns that the deficit, as reflected by borrowings under the LAF in recent weeks, is significantly in excess of the RBI's comfort zone of (+/-)1 per cent of the NDTL of banks. The high level of government balances indicates that the tight liquidity situation is likely to ease to some extent as the Government draws down its balances in the coming weeks.

4.93 Consistent with the monetary policy stance and based on the current assessment of prevailing and evolving liquidity conditions, the RBI decided to conduct OMO for purchase of government securities for an amount of Rs12,000 crore on 4 November 2010.

G. Financial markets

Market developments

4.94 The equity markets have gained substantially since January 2010. Since the beginning of the calendar year 2010, the Sensex gained 2,473.61 points or 14.09 per cent and Nifty 785.5 points or 15.01 per cent as on 29 October 2010, the last trading day in the month of October. Market capitalization is around 1.5 times the GDP of 2009-10 (at market prices, revised estimate [RE], 2004-05 series) as on 29 October 2010 as against1.3 times as on 31 March 2010. Compared to major world indices, Indian stock exchanges witnessed remarkable growth in this financial year (Table 4.24). The rise in average daily turnover in cash as well as derivative segments also indicates improvement in sentiments.

Table 4.24 Movement in world stock market indices

	End of March 2010	29 October 2010	Percentage change
S& P 500	1,169.43	1,183.26	1.18
Mexico (MXX)	33,266.43	35,568.2	6.92
Argentina (Merval Buenos Aires)	2,373.71	3,007.41	26.70
Brazil (Bovespa)	70,371.54	70,673	0.43
UK FTSE	5,679.64	5,675.2	-0.08
Germany DAX	6,153.55	6,601.37	7.28
South Korea KOSPI	1,692.85	1,882.95	11.23
Singapore Strait	2,887.46	3,142.62	8.84
Taiwan (TSEC weighted)	5,384.87	5,580.96	3.64
China Shanghai Composite	3,109.11	2,978.84	-4.19
Malaysia KLSE	1,320.57	1,505.66	14.02
Japan Nikkie 225	11,089.94	9,202.45	-17.02
Hong Kong (Hang Seng)	21,239.35	23,096.3	8.74
Sensex	17,527.77	20,032.3	14.29
Nifty	5,249.10	6,017.7	14.64
Dow Jones	10,856.63	11,118.5	2.41
Jakarta Composite Index (Indonesia)	2,777.30	3,635.3243	30.89

Source : *National Stock Exchange (NSE)*

4.95 The rise has been fuelled mainly by FII inflows and sound earnings of Indian corporates. India's high economic growth, driven by robust domestic demand, is pulling the inflows into the economy. On the other side, historically low yields in developed markets due to accommodative monetary policy and weak economic prospects have pushed FII inflows to emerging markets to a record high. By September 2010, net investments to India had exceeded the record inflows of 2007. FIIs have invested US$24.5 billion this fiscal (equity +debt) (US$33.99bn in this calendar year). For the year 2010, September, March, July, and October saw net inflows worth more than US $ 5 billion. September alone saw a sharp rise in FII investment with US $ 7.1 billion flowing in. It was the highest FII investment ever received in any month in the last 10 years. October had the highest equity flows in this calendar year (US$ 6,420.94) and also in the last 10 years. However, for the first time in 2010, debt flows turned net outflows of US$ 952.58 million in October, pulling down the overall investment level.

Money market

4.96 Money markets have so far this fiscal remained orderly. The call rate continued to hover around the upper bound of the LAF corridor till end July 2010 as deficit liquidity conditions persisted due to high Central Government cash balances. The call rate declined towards the end of August 2010 and early September 2010 with the change in liquidity conditions. However, it again firmed up from the middle of September 2010 as liquidity conditions tightened on account of quarterly advance tax outflows. It averaged 5.40 per cent in the Q2 as compared to 4.16 per cent in theQ1 of the financial year. At the short end, as the LAF window operated in deficit mode, overnight interest rates were generally close to the LAF rate corridor ceiling during September-October 2010, even exceeding it on occasion in response to sudden surges in demand.

4.97 The rates in the collateralized segments have so far during 2010-11 generally moved in tandem with the call rate . Transaction volumes in the collateralized borrowing and lending obligation and market repo segments remained high during this period reflecting active market conditions. As in the previous year, banks continued to remain the major borrowers in the collateralized segment whereas mutual funds (MFs) remained the major lenders of funds in that segment. The share of MFs in total lending declined in June-August 2010 but increased in September 2010. The collateralized segment of the money market has so far during 2010-11accounted for more than 80 per cent of the total money market volume.

Government securities market

4.98 The Central Government completed a large part (70 per cent) of the budgeted gross market borrowing programme during April-October 2010. While ample liquidity in the system facilitated borrowings, there was some impact on interest rates arising from higher supply of Government securities and inflationary concerns. Although gradual increase in yield across the maturity spectrum was particularly evident during the Q2 of 2010-11, the yield curve has become relatively flat over the medium to long term. It was also noted that due to extant liquidity conditions and the varying of the maturity profile of the debt issuance tailored to market appetite, the weighted average yield of dated securities issued under the Central Government borrowing programme in 2010-11 was higher than last year even though the net Government's borrowing programme was lower. The weighted average maturity of securities issued during 2010-11 (up to 25 October 2010) was 11.37 years as compared to 11.01 years in the corresponding period of the previous year.

Credit market

4.99 The spreads on corporate bonds over the Government bond yield declined in Q2 of 2010-11 as against Q1 of 2010-11. This reflects further reduction in risk perception of corporates due to improved growth outlook as well as lower inflationary expectations. As many as 53 banks with a share of 94 per cent in total bank credit have fixed their base rates in the range of 7.50-8.50 per cent, indicating convergence in the base rates announced by banks.

H. Social-Sector Programmes and Recent Developments

Employment

4.100 The Labour Bureau has released the seventh in its series of quarterly reports on the effect of economic slowdown on employment in India during April-June 2010. During the survey, information was collected from 2,635 units/ establishments covering 21 centres spread across 11 States and Union Territories. According to the Report, the upward trend in employment reflected by the previous four quarterly surveys has sustained during the April-June 2010 quarter as well. Employment at overall level (all sectors taken together) has increased by 1.62 lakh in June 2010 over March 2010. At sector level, a maximum increase of 1.29 lakh in employment during the period June 2010 over March 2010 occurred in the information technology (IT)/business process outsourcing (BPO) sector followed by 0.51 lakh in the automobile industry, 0.45 lakh in metal industry, 0.21 lakh in leather, and only 0.04 lakh in gems and jewellery. In export-oriented units, employment at overall level has increased by 1.77 lakh whereas in non-exporting units it has declined by 0.15 lakh during the period June 2010 over March 2010. While comparing the results of the last four quarterly surveys, i.e. June 2010 over June 2009, employment at overall level has increased by 13.58 lakh. The highest increase of 8.54 lakh occurred in IT/BPO followed by 1.52 lakh in textiles, 1.37 lakh in metals, 1.10 lakh in automobiles, and 0.93 lakh in gems and jewellery during the same period.

Progress under some of the important programmes of the Government of India

Mahatma Gandhi National Rural Employment Guarantee Scheme

4.101 The MGNREGS has been provided a sum of ₹ 40,100 crore in the budget of the current financial year. During 2009-10, 5.25 crore households were provided employment under the scheme as against more than 4.51crore during 2008-09. During 2010-11, so far (1 October 2010), 3.52 crore households have been provided employment under the scheme. Of the 115.03 crore person-days created, 22.73 per cent and 16.96 per cent were in favour of SC and ST population respectively and 51.82 per cent were in favour of women.

Rashtriya Swasthya Bima Yojana

4.102 The RSBY was launched on 1 October 2007 for BPL families in the unorganized sector. The total sum insured is ₹ 30,000 per family per annum. The beneficiary is entitled to cashless transactions through smart card. The RSBY became operational from 1 April 2008. Coverage extends to five members of the family including the head of household, spouse, and up to three dependents. Beneficiaries need pay only ₹ 30 as registration fee while Central and State Governments pay the premium to the insurer selected by the State Government on the basis of competitive bidding. The scheme has a provision of issue of smart cards to its beneficiaries to enable cashless transactions for health care. More than 1.97 crore smart cards have been issued as on 25 October, 2010.

National Rural Health Mission

4.103 Brief information on progress as on June 30, 2010 is as follows:

- Out of 6,38,588 villages covered under the NRHM, 4,95,653 have constituted village health and sanitation committees.
- 570 district hospitals (DHs), 4,210 community health centres (CHCs) and 16,920 primary health centres (PHCs), and rogi kalyan samitis (RKSs)have been set up under the scheme.

- Out of 23,391 PHCs, 6,239 are functional with three staff nurses.
- 3,844 CHCs are functioning on a 24x7 basis.
- 527 DHs, 679 sub-district hospitals (SDHs) and 1,177 CHCs are functioning as first referral units (FRUs).
- 8,09,637 accredited social health activists (ASHAs) have been selected and 2,54,608 of them trained up to the fifth module. 5,53,061 ASHAs have been provided with drug kits.
- Out of 1,45,894 sub-centres, 1,38,119 are functional with one auxiliary nurse midwife (ANM) and 40,730 with two ANMs.
- 7,993 AYUSH(aurveda yoga unani siddhi homeopathy) practitioners have been positioned on contract.
- 323 districts are implementing Integrated Management of Neo Natal & Childhood Illness (IMNCI).
- 2,07,53,171 village health and nutrition days (VHNDs) have been held since the launch of the NRHM.
- 28.78 lakhs institutional deliveries have so far been reported during 2010-11.
- Total Janani Suraksha Yojana (JSY) beneficiaries during 2010-11 are 19.44 lakh.
- 225.14 lakh children are fully immunized.

Bharat Nirman: Rural drinking water

4.104 Bharat Nirman, a programme to build rural infrastructure, was launched by the Government of India in 2005. Phase I of the programme was implemented in the period 2005-06 to 2008-09. Phase II is being implemented from 2009-10 to 2011-12.

4.105 Rural drinking water is one of the six components of Bharat Nirman. During the Bharat Nirman Phase I period, 55,067 uncovered and about 3.31 lakh slipped-back habitations were to be covered with provision of drinking water facilities and 2.17 lakh quality-affected habitations were to be addressed for water- quality problem. Against this, 54,440 uncovered habitations have been covered during Phase I. During 2009-10, 377 out of 586 targeted habitations were covered. In 2010-11, 147 habitations have so far been reported as covered against the target of 376. As on 1 April 2009 at the beginning of Bharat Nirman Phase II, States reported that 1,79,999 quality-affected habitations remained to be covered. Of these, 32,734 during 2009-10, and 5,391 so far during 2010-11 have been reported as covered. Thus, in all during Bharat Nirman Phases I and II, 88,293 quality-affected habitations have been fully covered with completed schemes.

Environment and climate change

4.106 The Government of India has initiated a number of measures within the parameters of the policy and regulatory framework to protect the environment and conserve forests. A National NGT has been notified in October 2010**.** It will act as a specialized body to determine and adjudicate all matters relating to the environment. The NGT shall have the original jurisdiction as well as appellate jurisdiction to adjudicate environmental disputes of civil nature brought by anyone relating to protection of environment, forests, and other natural resources including giving relief and compensation for damages to persons and property.

Annex.I

Status of Implementlation of Major Budget Announcements 2010-11

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
1.	24.	With a view to targeting an explicit reduction in its domestic public debt-GDP ratio, a status paper giving a detailed analysis of the situation and a road map for curtailing the overall public debt to be brought out within six months to be followed by an annual report on the subject.	Action completed.
2.	25.	With a view to building a simple tax system with minimum exemptions and low rates designed to promote voluntary compliance and after the wide-ranging discussions with stakeholders, the Direct Tax Code, likely to be implemented from April 1, 2011.	Action completed for the year 2010-11. 'Direct Taxes Code, 2010' Bill has been introduced in Lok Sabha on 30.8.2010. It is proposed to implement the Code w.e.f. 1.4.2012.
3.	26.	A wide consensus on Goods and Services Tax (GST) to be generated. Based on a number of significant recommendations made by the Thirteenth Finance Commission relating to GST, the Empowered Committee to finalise the structure of GST as well as the modalities of its expeditious implementation. Earnest endeavour to be made to introduce GST along with the DTC in April, 2011.	Draft constitutional amendment bill has been sent to the Empowered Committee (EC) for its views. An Empowered Group, under the Chairmanship of Dr.Nandan Nilekani, has been set up to design IT infrastructure requirement. One sub-working group is working on development of draft Central GST and model State GST legislation, while the other is working on finalization of processes to be followed.
4.	28.	After presentation of the Budget for 2009-10, ownership has been broad based in Oil India Limited, NHPC, NTPC and Rural Electrification Corporation while the process is on for National Mineral Development Corporation and Satluj Jal Vidyut Nigam. The Government to raise about ₹25,000 crore during the current year. The proceeds to be utilised to meet the capital expenditure requirements of social sector schemes for creating new assets.	Action completed. IPO of Satluj Jal Vidut Nigam Limited and Engineers India Ltd. has been completed in May, 2010 with proceeds of ₹1063 crore and ₹960 crore, respectively. Public Issues of Coal India Limited, SAIL, Power Grid Corporation of India and Hindustan Copper Limited are likely to be completed during the current financial year. For Follow on Public Offers of MMTC, Manganese Ore India Ltd., Shipping Corporation of India, Indian Oil Corporation and ONGC, the administrative Ministries/PSUs are being consulted to finalize the quantum of disinvestment.
5.	31.	A Nutrient Based Subsidy policy for the fertiliser sector to become effective from April 1, 2010. Government to ensure that nutrient based fertiliser prices for transition year 2010-11 to remain around MRPs currently prevailing. The new system will move towards direct transfer of subsidies to the farmers.	The Nutrient Based Subsidy Policy for decontrolled Phosphatic and Potassic fertilizers has been announced in March 2010 w.e.f. 1st April 2010. Nutrient based subsidy for Single Super Phosphate has been introduced on 21.4.2010.
6.	32.	Decision on the recommendations of the Expert Group headed by Shri Kirit Parikh to be taken by the Minister of Petroleum & Natural Gas, in due course.	Action completed. Decision has been taken by Ministry of Pertroleum & Natural Gas on the recommendation of the Expert Group headed by Shri Kirit Parikh.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
7.	36.	FDI policy to be made user-friendly by consolidating all prior regulations and guidelines into one comprehensive document for ensuring enhanced clarity and predictability to foreign investors.	Action completed. Consolidated FDI Policy Document has been released on 31.3.2010 which is effective from 01.04.2010. Consolidated circular would be issued every six months to update the FDI policy.
8.	37.	With a view to strengthen and institutionalise the mechanism for maintaining financial stability, an apex-level Financial Stability and Development Council to be set up to monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. It will also focus on financial literacy and financial inclusion.	The process of setting up of Financial Stability and Development Council has been initiated. The Council would have one Sub-Committee which would be headed by Governor, RBI. The Secretariat of the Said Council would be in Department of Economic Affairs.
9.	38.	RBI to consider giving some additional banking licenses to private sector players. Non Banking Financial Companies also to be considered, if they meet the RBI's eligibility criteria.	RBI has released a Discussion paper on 'Entry of New Banks in Private Sector' inviting views/ comments of Banks, NBFCs, industrial houses and public at large. After receiving feedbacks from all stakeholders, comprehensive guidelines for licensing of new banks would be framed and applications invited for setting up new banks.
10.	39.	An additional sum of ₹1200 crore to be infused as Tier-I capital in four public sector banks (PSBs) to maintain a comfortable level of Capital to Risk Weighted Asset Ratio (CRAR). A sum of ₹16,500 crore to be provided to ensure that the Public Sector Banks are able to attain a minimum 8 per cent Tier-I capital by March 31, 2011.	Action completed. A sum of ₹ 1500 crore was infused in four PSBs in the month of May, 2010. A further sum of ₹ 6211 crore has been approved for infusion in five PSBs. As part of this, a sum of ₹1076 crore has been infused through the Perpetual Non-Cumulative Preference Shares. Besides, ₹ 3119 crore has been infused in IDBI Bank by way of preferential equity. Approval has been granted for ₹ 2016 crore to be invested in Central Bank of India through rights issues.
11.	40.	Regional Rural Banks (RRBs) to be provided further capital to strengthen them so that they have adequate capital base to support increased lending to the rural economy.	Report of Dr. K.C Chakarbarty, Dy. Governor, RBI committee to look into the aspects of the CRAR of RRBs and to suggest measures to bring the CRAR of RRBs to at least 7% in time-bound manner and 9% by March, 2012 has been received. Comments of RBI & NABARD thereupon have also been received and are under examination.
12.	42.	Interest subvention of 2 per cent provided on pre-shipment export credit up to March 31, 2010 for exports in certain sectors, to be extended for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises.	Action completed. RBI has issued Circular dated 23.4.2010 extending the interest Subvention Scheme of 2% points w.e.f. April, 2010 to March 31, 2011 on pre and post shipment rupee credit.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
13.	45.	Green revolution to be extended to eastern region of the country comprising Bihar, Chattisgarh, Jharkhand, Eastern UP, West Bengal and Orissa, with the active involvement of Gram Sabhas and the farming families. For the year 2010-11, ₹400 crore to be provided for this initiative.	₹435 crore has been allocated to 7 Eastern States. Out of this, ₹200 crore has been released. A Taskforce has been constituted for promotion of hybrid rice and a 3-Tier Monitoring System was established for regular review of the implementation of the programme.
14.	46.	60,000 "pulses and oil seed villages" to be organized in rain-fed areas during 2010-11 and an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas to be provided. ₹300 crore to be provided for this initiative as an integral part of the Krishi Vikas Rashtriya Yojana.	Out of ₹300 crore, allocated to 7 States, ₹136.5 crore has been released. Implementation is under way for Kharif pulses and oilseeds.
15.	47.	The gains of green revolution areas to be sustained through conservation farming, which involves concurrent attention to soil health, water conservation and preservation of biodiversity for which ₹200 crore to be allocated for launching this climate resilient agriculture initiative.	On the recommendations of the EFC for launching of National Initiative on Climate Resilient Agriculture and incurring an expenditure of ₹350 crore during 11th Plan, an agenda note for CCEA is being finalized.
16.	48.	Significant wastages in storage as well as in the operations of the existing food supply chains in the country to be reduced. For greater competition, a firm view to be taken on opening up of the retail trade with a view to bring down the considerable difference between the farm gate prices, wholesale prices and retail prices.	A Working Group on Consumer Affairs has been constituted. The Terms of Reference of the Working Group are reducing the gap between farm gate and retail prices and better implementation and amendment to Essential Commodities Act including suggestion of strategies/plan of action inter alia for increasing efficiency of distribution channels from farm to consumers, reducing intermediation costs and reducing gap between farm gate and retail prices, state interventions for retailing essential commodities at reasonable prices and enforcement of statutory provisions to improve availability of essential commodities at reasonable prices. Its report is being finalized. Action is being taken to establish National Centre for Cold Chain Development through National Horticultural Mission. Plan Scheme for construction of Rural Godown for creating scientific storage facilities in rural areas is being implemented. A discussion paper on FDI in multi-brand retail trading has been released. Besides, a number of steps like security & safety of storage complexes, inspections, quality control measures, preventive measures and monitoring of losses and safeguards for movement & storage, etc. have been taken to

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			reduce the storage and transit losses in food grains. Action is also underway for setting up of 5 more Mega Food Parks in addition to 10 ongoing MFPs.
17.	49.	The deficit in the storage capacity of Food Corporation of India is to be met through an ongoing scheme for private sector participation by extending the period of hiring godowns from private parties for a guaranteed period of 5 years to 7 years.	Action completed. The scheme for creation of storage capacity for FCI through private entrepreneurs has been modified to make it more attractive. The guarantee period of 5 years has been extended to 7 years.
18.	50.	For improving the availability of credit to farmers, the target for agriculture credit flow to be raised to ₹3,75,000 crore from ₹3,25,000 crore during the year 2010-11.	Action completed. Instructions have been issued to NABARD on 16.4.2010. Progress in achievement of targets is being monitored.
29.	51.	The Debt Waiver and Debt Relief Scheme for Farmers to be extended by six months from December 31, 2009 to June 30, 2010 for repayment of the loan amount by farmers.	Action completed. Instructions issued to RBI/ NABARD/PSBs on March 26, 2010.
20.	52.	The additional one per cent interest subvention provided in the last budget as an incentive to those farmers who repay their short-term crop loans as per schedule, to be raised to two per cent for 2010-11.	Action completed. Instructions have been issued to RBI and NABARD on 19.8.2010. RBI has in turn issued a circular to all banks on 6.9.2010.
21.	53.	With a view to lending a further impetus to the development of food processing sector by providing state-of-the art infrastructure, in addition to the ten mega food park projects five more such parks to be set up.	EFC in its meeting held on 30.8.2010 has recommended setting up of 5 more Mega Food Parks in addition to 10 ongoing Parks. Draft CCEA note on the basis of the said EFC recommendation is under process.
22.	54.	Changes in the definition of infrastructure under the ECB policy to be made so that External Commercial Borrowings are henceforth available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.	Action completed. Circular changing the definition of infrastructure under the ECB policy has been issued by the RBI on 2.3.2010.
23.	56.	Construction of national highways at the pace of 20 km per day to be targeted. To push the pace of implementation, changes have been made in the policy framework, especially in respect of projects being executed through PPPs. For the year 2010-11, the allocation of road transport to be raised by over 13 per cent from ₹17,520 crore to ₹19,894 crore.	Action completed. As against the target of 2500 km of National Highways, construction of 693 km and 897 km has been completed by NHAI and PWDs respectively. Besides, steps have been taken by framing Work Plan-I and Work Plan-II covering about 24,000 km of National Highways and expediting the award of the projects.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
24.	59.	Disbursement made by India Infrastructure Finance Company Limited (IIFCL) established to provide long term financial assistance to infrastructure projects to reach around ₹20,000 crore by March 2011. IIFCL to also double refinance Bank lending to infrastructure projects from the existing ₹3,000 crore.	IIFCL is taking steps to meet the cumulative disbursement target of around ₹20,000 crore by March 2011, including refinance. The takeout Finance Scheme, formulated by IIFCL has been rolled-out w.e.f. 16.4.2010.
25.	61.	Introduction of competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks.	The Bill for amending the Mines and Mineral (Development & Regulation) Act, has been passed by the Parliament. After President's assent, the Act has been notified on 9th September, 2010. Action has been initiated for formulation of Rules and Guidelines.
26.	62.	Setting up of a "Coal Regulatory Authority" to create a level playing field in the coal sector and to facilitate resolution of issues like economic pricing of coal and benchmarking of standards of performance.	A draft Cabinet Note on setting up of a Coal Regulatory Authority along with the Draft Bill is being finalized
27.	64	Setting up solar, small hydro and micro power projects at a cost of about Rs.500 crore in Ladakh region of Jammu and Kashmir which faces an extremely harsh climate and suffers from energy deficiency.	Action completed. The Cabinet Committee on Infrastructure (CCI) has approved implementing a project on "Ladakh Renewable Energy Initiative" at a total cost of ₹ 473 crore in a period of three and a half years starting from June, 2010. The implementation of the Plan through Ladakh/Kargil Renewable Energy Development Agency has already started from 1.6.2010.
28.	66.	Establishment of a National Clean Energy Fund for funding research and innovative projects in clean energy technologies to ensure that the principle of "polluter pays" remains the basic guiding criteria for pollution management and also to give a positive thrust to development of clean energy.	This para has to be read with para 154. Hence, status of implementation as indicated against that para may be referred to.
29.	67.	Providing a one-time grant of ₹200 crore to the Government of Tamil Nadu towards the cost of installation of a zero liquid discharge system at Tirupur to sustain textile industry that provides livelihood to lakhs of persons, without undermining the environment.	Action completed. A detailed proposal from Government of Tamil Nadu awaited. On receipt of the same the matter will be taken up for CNE appraisal. Zero Liquid Discharge System at Tirupur implemented.
30.	68.	Providing a sum of ₹200 crore as a Special Golden Jubilee package for Goa to preserve the natural resources of the State by restoring Goa's beaches which are prone to erosion, and increasing its green cover through sustainable forestry.	A sum of ₹ 200 crore has been allocated to Goa as one-time Additional Central Assistance in the Annual- Plan of Goa 2010-11 as Special Golden Jubilee Package. Funds will be released on receipt of recommendations from the Planning Commission, giving specific

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			project details after the State Govt. submits its proposal.
31.	70.	Inclusion of schemes on bank protection works along river Bhagirathi and river Ganga-Padma in parts of Murshidabad and Nadia district of West Bengal in the Centrally Sponsored Flood Management Programme. Provision of budgetary support for drainage scheme of Kaliaghai-Kapaleswari Baghai basin in the district of Purba and Paschim Midnapore, and Master Plan of Kandi sub-division in Murshidabad, West Bengal.	Two schemes for 'Bank protection works' along both banks of the rivers Bhagirathi and Ganga- Padma in the districts Murshidabad and Nadia, West Bengal have been approved at a total cost of ₹23.66 crore and ₹28.13 crore respectively. The work has been awarded by Government of West Bengal in May, 2010. The execution is likely to commence from 11/2010. Another scheme 'Kaliaghai-Kapaleswari-Baghai-Drainage Basin' has been approved at a total cost of ₹325.20 crore under FMP. The process of acquisition of land , engagement of L.A. consultant and soil testing etc. for construction bridges has been completed/in progress. Award of tenders is likely to be completed by 11/ 2010. The modified DPR for flood protection in Kandi Sub-Division submitted by WAPCOS Ltd. is awaited from Government of West Bengal.
32.	71.	Developing an alternate port facility at Sagar Island in West Bengal.	For this project a rail link from Kakdweep to Harwood Point (5 Km.) through rail-cum-road over bridge on SPV/PPP mode is essential. Kolkata port trust is conducting a feasibility study through RITES.
33.	72.	With a view to further strengthen the process of inclusive development, enactment of Food Security Bill to be pursued vigorously.	To examine various issues relating to Food Security legislation, an Empowered Group of Ministers (EGoM) has been constituted, which has so far held five meetings. Once the directions of EGoM on the provisions of the proposed law are received, the draft Bill would be prepared and the same would be placed the website of the Department for public scrutiny and comments.
34.	74.	Conducting Annual Health Survey (AHS) to prepare the District Health Profile of all Districts findings of which would be of immense benefit to major public health initiatives particularly the National Rural Health Mission, which has successfully addressed the gaps in the delivery of critical health services in rural areas.	Action completed. The AHS is to be conducted in 284 districts of 8 erstwhile Empowered Action Group (EAG) States and Assam only. After the training of trainers completed in March 2010, the survey agencies imparted training to the field staff during April 2010. The fieldwork is in progress in 272 out of 284 districts and fieldwork has been completed in 12392 sample units out of 20252 total sample units. The survey is likely to be completed by 31.12.2010.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
35.	76.	Providing appropriate Banking facilities to 60,000 habitations having population in excess of 2000 by March, 2012 and extending insurance and other services to the targeted beneficiaries using the Business Correspondent and other models with appropriate technology back up.	The State Level Banker's Committees (SLBC) have identified 72,905 habitations with population above 2000 for coverage by March 2012. These habitations have been allotted by SLBCs to various banks for providing banking services.
36.	77.	To give momentum to the pace of financial inclusion, Financial Inclusion Fund and a Financial Inclusion Technology Fund in NABARD set up in 2007-08 to reach banking services to the unbanked areas to be augmented by ₹100 crore each.	NABARD has been requested to send its demand for funds.
37.	83.	The Scheme of one per cent interest subvention on housing loans up to ₹10 lakhs where the cost of the house does not exceed ₹20 lakhs announced in the Union Budget 2009-10, to be extended up to March 31, 2011.	Action completed. The Scheme has since been extended. RBI has issued necessary detailed guidelines to all Scheduled Commercial Banks (SCBs), including Regional Rural Banks which are SCBs, to implement the Scheme
38.	84	Allocation of ₹1,270 crore for 2010-11 as compared to ₹150 crore last year for Rajiv Awas Yojana for slum dwellers and urban poor to extend support to States that are willing to provide property rights to slum dwellers.	In response to Draft EFC memo and guidelines of Rajiv Awas Yojana circulated to concerned Ministries/Departments comments have been received from some of them which are being collated. National Technical Committee Meeting was organized to deliberate on the Technical Manual and Guidelines relating to GIS Mapping and GIS and MIS Slum Integration etc. States specific review meetings under Slum Free City Planning Scheme have been held in respect of the Eastern/North Eastern States and Maharshtra respectively. EFC memo has already been sent and it is proposed to move the Cabinet by 31.12.2010.
39.	85.	Constitution of a High Level Council on Micro and Small Enterprises to monitor the implementation of the recommendations of High-Level Task Force on Micro, Small and Medium Enterprises (MSMEs) and the agenda for action. Allocation for this sector to be raised from ₹1,794 crore to ₹2,400 crore for the year 2010-11.	Action completed. The Council on Micro, Small & Medium Enterprises under the chairmanship of Hon'ble Prime Minister and a Steering Group under the chairmanship of Principal Secretary to the Prime Minister has been constituted on 7.4.2010 and 30.3.2010 respectively for ensuring timely/speedy implementation of the recommendations of the Task Force on MSMEs.
40.	87.	The corpus of 'Micro-Finance Development and Equity Fund' to be doubled to ₹400 crore in 2010-11. This programme will link Self Help Groups with the banking system.	Letter has been issued to NABARD advising that the stakeholders contribute to the fund at the earliest.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
41.	88	As a follow up to the Unorganised Sector Workers Social Security Act, 2008, a National Social Security Fund for unorganised sector workers with an initial allocation of ₹1,000 crore to be set up to support schemes for weavers, toddy tappers, rickshaw pullers, bidi workers etc.	Taskforce (s) has been set up for suggesting scheme(s) (1) to provide social security to Rickshaw Pullers, street vendors, rag pickers etc., (2) for Pension/Provident Fund for unorganized workers and (3) for toddy tappers & bidi workers (being set up). A draft Cabinet note has been circulated to all concerned for constitution and operation of National Social Security Fund for unorganized sector workers. With respect to Handloom weavers and Handicraft artisans, 3 schemes viz. Old Age Pension Scheme, Micro Finance Scheme and Enhancement of Life Insurance cover age from 56 years to 70 years, are being proposed with tentative budget of ₹350 crore to be sought from the Fund. The schemes are under active consideration and parameters are likely to be formulated shortly.
42.	89.	To extend the benefits of *Rashtriya Swasthya Bima Yojana* launched to provide health insurance cover to below poverty line workers and their families, to all Mahatma Gandhi NREGA beneficiaries, who have worked for more than 15 days during the preceding financial year.	To extend the RSBY to Mahatma Gandhi NREGA Workers, who have worked for more than 15 days during the preceding financial year, in view of divergent views of different stakeholders on the issue of setting of National Social Security Society, the matter was referred to Committee of Secretaries. The CoS in its meeting held on 22.6.2010 agreed to the proposal relating to extension of RSBY to MNREGA beneficiaries. However, on the issue of National Social security Society, it was agreed that instead of a Society, a proper structure be created within the Ministry with proper delegation of power on the lines of NACO in the M/O Health and Family Welfare. On the advice of CoS, a revised Note of CoS has been sent to Cabinet Secretariat for further consideration.
43.	90.	To encourage people from the unorganised sector to voluntarily save for their retirement and to lower the cost of operations of the New Pension Scheme (NPS) for such subscribers, Government to contribute ₹1,000 per year to each NPS account opened in the year 2010-11. This initiative, "Swavalamban" will be available for persons who join NPS, with a minimum contribution of ₹1,000 and a maximum contribution of ₹12,000 per annum during the financial year 2010-11 and will be available for another three years.	Action completed. The Cabinet has approved the Swavalamban Scheme on 09.08.2010 to provide funding support of ₹1, 000 crore over a period of four years i.e upto 2013-14 as co-contribution to subscribers of the New Pension System who are covered by the Swavalamban initiative and to incur expenditure and/or to provide funding support to the PFRDA of around ₹100 crore for the promotion and developmental activities for enrolment and contribution collection under the Swavalamban Scheme. The scheme has been launched on 26.9.2010.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
44.	92	Mission of Prime Minister's Council on National Skill Development is to create 50 crore skilled people by 2022. Out of this, the target for the National Skill Development Corporation is 15 crore.	NSDC has so far approved ₹248.6 crore as NSDC contribution (grant/loan/equity) for 9 projects. 15 projects are under evaluation/ consideration by NSDC.
45.	93	To launch an extensive skill development programme in the textile and garment sector by leveraging the strength of existing institutions and instruments of the Textile Ministry to train 30 lakh persons over 5 year	Action completed. Integrated Skill Development Scheme for the Textile Sector has been launched on August 5, 2010.
46.	94	To set up a mission for empowerment of women. The ICDS platform to be expanded for effective implementation of the Rajiv Gandhi Scheme for Adolescent Girls.	Action completed. National Mission for Empowerment of women was made operational w.e.f. 8.3.2010, to which Chief Ministers of 2 States and 5 civil society members have been nominated. CCEA has approved Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG-SABLA) on 16.8.2010 for implementation in 200 selected districts using the ICDS Platform.
47.	96	A Mahila Kisan Sashaktikaran Pariyojana to meet the specific needs of women farmers to be launched as a sub-component of the National Rural Livelihood Mission.	Restructuring of SGSY as NRLM has since been approved. Action has been initiated to draft the Guidelines for NRLM and Mahila Kisan Sashaktikaran Pariyojana (MKSP) as part of NRLM, which are to be notified shortly.
48.	97	Plan outlay of the Ministry of Social Justice and Empowerment to be raised to ₹4500 crore to support the programmes being implemented for the target population groups covering the Scheduled Castes, Other Backward Classes, persons with disabilities, senior citizens and victims of alcoholism and substance abuse and to enable the Ministry to revise rates of scholarship under its post-matric scholarship schemes for SCs and OBC students.	Meeting of EFC for considering the proposals for revision of Scheme of Post Matric Scholarship for SC students held. Draft CCEA note has been sent to CCEA. For revision of the Post Matric Scholarship for OBC students, comments on the draft EFC Memo that have been received are being examined.
49.	98	An Indian Sign Language Research and Training Centre for the benefit of the hearing impaired and District Disability Rehabilitation Centres in 50 additional districts along with two composite regional centres for persons with disabilities to be set up.	A draft Project Report for establishment of Indian Sign Language Research and Training Centre, is under consideration. Proposal for selection of 50 new District Disability Rehabilitation Centers (DDRCs) has been approved. The concerned State Governments/ District Collectors have been requested to send proposals for setting up new DDRCs in identified un-served Districts. 2 DDRCs have been sanctioned so far. Draft EFC memo for setting up 2 new Composite Regional Centers in Gujarat and Kerala is being finalized.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
50.	99	Plan allocation for the Ministry of Minority Affairs to be raised from ₹1,740 crore to ₹2,600 crore for the year 2010-11 to achieve the target of 15 per cent priority sector lending to minorities, which will be maintained for the next three years.	Action completed. Instructions have been issued to the PSBs in the matter on 9.4.2010.
51.	101	To set up a Financial Sector Legislative Reforms Commission to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.	A concept paper was circulated to Ministry of Corporate Affairs, Department of Financial Services, Department of Consumer Affairs, RBI, SEBI, PFRDA and IRDA, whose comments have been received. The roadmap for implementing the decision is being finalized
52.	102	Implementation of 800 recommendations made in 10 out of 15 reports submitted by the Administrative Reforms Commission.	The Core Group on Administrative Reforms (CGAR) has considered all the 15 Reports submitted by the 2nd ARC. Out of these, the Group of Ministers (GoM) has considered 12 reports, whose decisions are at various stages of implementation. Out of total 1215 recommendations in the twelve reports, 978 recommendations have been accepted, 172 not accepted, 24 deferred and 18 referred to other fora. Out of 978 recommendations, action has been taken on 435 and action on the remaining is under implementation. Action on 23 recommendations relating to Report No.8 (Combating Terrorism) is being taken by Ministry of Home Affairs.
53.	103	Allocation of ₹1,900 crore to Unique Identification Authority of India (UIDAI) for 2010-11 to meet its commitments of issuing the first set of UID numbers during the year.	The proof of Concept studies have been completed, requisite infrastructure has been set up and testing facilities have been created. The objective of Phase I of the scheme has, therefore, largely been achieved. The Managed Service Provider is likely to take over operations only by March 2011. UIDAI intends to roll out 10 crore Unique Identity numbers between August 2010 and March 2011 as Phase - II of the Project. For this the enrollment software has been developed and server systems have been installed and integrated. The Aadhaar (UID) has been nationally launched on 29.9.2010. The enrollment process has commenced in AP, MP and Delhi and is likely to commence in other States soon.
54.	104	Setting up of a Technology Advisory Group for Unique Projects under the Chairmanship of Shri Nandan Nilekani to look into various technological and systemic issues relating to	Technology Advisory Group for Unique Projects has been constituted and the Terms of Reference has since been issued on 1st June, 2010. Further action is being taken.

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
		IT projects like Tax Information Network, New Pension Scheme, National Treasury Management Agency, Expenditure Information Network, Goods and Service Tax.	
55.	105	Setting-up of an Independent Evaluation Office (IEO) under a Governing board chaired by the Deputy Chairman, Planning Commission to undertake impartial and objective assessments of the various public programmes and improve the effectiveness of the public interventions to evaluate the impact of flagship programmes and place the findings in the public domain.	The draft Cabinet Note for establishment of Independent Evaluation Office (IEO) has been sent to the Cabinet for approval.
56.	106	To formalise a symbol for the Indian Rupee, which reflects and captures the Indian ethos and culture.	Action completed. Cabinet Committee has approved the Symbol for Indian Rupee. The process to include the symbol in the Indian Script Code for Information Interchange has been initiated by the Bureaus of Indian Standards.
57.	109	Recruitment of about 2,000 youth in Jammu and Kashmir as constables in five Central Para Military Forces in the year 2010.	Action completed. Central Para Military Forces have been requested to recruit 2042 constables in J & K. CPMFs have earmarked necessary quotas. Progress made is likely to be intimated in November, 2010 and January, 2011. Nearly 1000 recruitments have already been made.
58.	110	Preparation of an integrated action plan by Planning Commission for the districts affected by 33 left wing extremism.	Process has been initiated for preparation of Integrated Action Plan (IAP) for 35 focus districts affected by Left Wing extremism with the help of State Government and District Administration. Draft CCEA note for selected tribal and backward districts has been prepared and circulated to concerned Ministries for comments.
59.	111	Setting up of the National Mission for Delivery of Justice and Legal Reforms to help reduce legal backlog in courts from an average of 15 years at present to 3 years by 2012 and to improve the legal environment for business.	A proposal for setting up of National Mission for delivery of Justice and Legal Reforms and also a Special Purpose Vehicle has been circulated to all concerned Ministries for seeking their comments, which have been received. Matter is under examination. As regards improving the delivery of justice system, Regional Meetings of State Government and High Courts at Guwahati, Kolkata, Chennai, New Delhi and Goa have been held to discuss the modalities for implementation. MoF has already released ₹500 crore to States and has approved

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			guidelines for utilization of these funds, which have been circulated to all States/UTs. The States are in advance stage of preparing Action Plans for utilizing these funds and guidelines for utilizing these funds.
60.	119	Setting up of two more Centralised Processing Centres (CPCs) during the year to reduce the physical interface between taxpayers and tax administration and speed up procedures and processes.	Action completed. Two more CPCs would be set up in Pune & Manesar (instead of Ahmedabad &Chandigarh). 7 sites have been inspected in Pune and draft RFP for project consultant is ready and is under acceptance. CCIT Chandigarh has issued RFP for properties and technical evaluation.
61.	120	Extension of "Sevottam" , a pilot project through Aayakar Seva Kendras, to four more cities as a part of Government's initiative to move towards citizen centric governance for providing a single window system for registration of all applications including those for redressal of grievances as well as paper returns.	Action completed. The civil work of Aayakar Seva Kendras (ASKs), Gandhinagar, Udaipur, Kolkatta (Chinsurah) and Surat has already been commenced. The designs of ASKs at Bhubaneswar, Chandigarh, and Guwahati have been approved by the Local Implementation Committee on Sevottam and necessary administrative approval are expected to be granted by the respective CCsIT shortly. The 3-tier software of Sevottam is being fine-tuned at Gurgoan consequent to finding during the testing.
62.	122.	Notification of SARAL-II form for individual salaried taxpayers for the coming assessment year to enable individuals to enter relevant details in a simple format.	Action completed. SARAL-II (ITR-1) has been notified vide Income Tax (3rd Amendment) Rules, 2010 dated April 23, 2010.
63.	123.	Expanding the scope of cases which may be admitted by the Settlement Commission to include proceedings related to search and seizure cases pending for assessment and the scope of Settlement Commission in respect of Central Excise and Customs so that certain categories of cases that hitherto fell outside its jurisdiction may be admitted.	Action completed. With the enactment of Finance Act, 2010 on May 8, 2010, amended provisions of the Central excise Act, 1944 and the Customs Act, 1962 restoring pre 2007 status of the Settlement Commission have come into effect from May 8, 2010.
64.	124.	Commencement of bi-lateral discussions to enhance the exchange of bank related and other information to effectively track tax evasion and identify undisclosed assets of resident Indians lying abroad.	Status of TIEA (Tax Information Exchange Agreement): ■ Negotiations completed with 8 countries. TIEA approved by Cabinet in 2 cases. Cabinet Note has been circulated to M/o Law and M/o EA in the case of 5 countries. Negotiations with 2 countries held. Status of negotiation of DTAA to revise Article concerning Exchange of Information (EOI): ■ Protocol amending the Agreement with Swiss Confederation signed on 30.8.2010. Negotiations

Annex continued

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			also completed with 2 countries and are in progress with 3 countries.
65.	154	Levy of clean energy cess on imported coal and coal produced in India at a nominal rate of ₹ 50 per tonne to build the corpus of the National Clean Energy Fund as announced in para 66 above.	The NCEF is to be located in Budget Division of DEA. An inter-Ministerial Group (IMG) to be chaired by FS and comprising of Secy. (E), Secy. (Rev) and representatives from all Energy Ministries and MoF is to be constituted to approve the projects/schemes eligible for financing under the fund. The IMG will prepare guidelines regulating the kind of projects eligible to be considered for financing along with modalities thereof, which will be approved by CCEA. A draft CCEA note seeking approval of guidelines as well as modalities for utilization of National Clean Energy Fund has been forwarded to PMO for their comments as desired by the Cabinet Secretariat.
66.	182	Easing the process of refund of accumulated credit to exporters of services by making necessary changes in the definition of export of services and procedures.	Action completed. Electronics & Computer Software Export Promotion Council, New Delhi has informed that the amendments announced earlier are appropriate.

1. KEY INDICATORS

	Items	2008-09	2009-10	per cent change 2008-09	per cent change 2009-10	2009-10	2010-11	Period	per cent change 2009-10	per cent change 2010-11
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1a	GDP at factor cost at current prices- ₹ ’000 crore	5229[Q]	5868[R]	15.1	12.2	2751	3295	Apr-Sep	9.4	19.8
1b	Implicit Price Deflator	125.8	129.7	7.9	3.1	131.5	144.6	Apr-Sep	1.8	10.0
1c	GDP at factor cost at 2004-05 prices- ₹ ’000 crore	4155[Q]	4464[R]	6.7	7.4	2093	2279	Apr-Sep	7.5	8.9
2	Agriculture and allied sectors at 2004-05 prices - ₹ ’000 crore	650[Q]	652[R]	1.6	0.2	278	289	Apr-Sep	1.0	3.8
3	Index of Industrial Production (IIP)	286.1	316.2	6.8	10.5	297.6	328.1	Apr-Sept HI	6.3	10.2
4	Electricity generated (in billion kwh)	723.8	771.5	2.7	6.6	382.2	397.3	Apr-Sept HI	6.4	4.0
5	Wholesale price index(point-to-point) 2004-05=100	123.2	135.8	1.5	10.2	130.5	141.7[P]	Oct/10	1.5	8.6[P]
6	Consumer price index(for industrial workers) 2001=100	148	170	8.0	14.9	165.0	181.0	Oct/10	11.5	9.7
7	Money Supply (M3) (₹ ’000 crore) 1,2	4795	5600	19.3	16.8	5174	5962	Oct/08 /09	19.5	15.2
8	Imports at current price 3 (in ₹ Crore)	1374436	1363736	35.8	-0.8	622295	766857	Apr-Sep[P]	-21.3	23.2
	(in US$ million)	303696	288373	20.7	-5.0	128131	166478	Apr-Sep[P]	-30.7	29.9
9	Exports at current prices 3 (in ₹ Crore)	840755	845534	28.2	0.6	393262	477402	Apr-Sep[P]	-15.3	21.4
	(in US$ million)	185295	178751	13.6	-3.5	80950	103647	Apr-Sep[P]	-25.7	28.0
10	Foreign currency assets (in ₹ Crore)	1231340	1150778	3.0	-6.5	1271250	1192541	Apr-Sep	-2.3	-6.2
	(in US$ million)	241676	254935	-19.2	5.5	264623	265481	Apr-Sep	-4.6	0.3
11	Exchange rate (₹/US$) 4&5	46.0	47.4	-12.5	-3.0	48.6	46.1	Apr-Sep	-12.1	5.4

Q : Quick estimate; R : Revised estimate; P : Provisional Data 1: Units only for columns 2,3,6 and 7; 2: Figures in column 2 and 3 are for end March of the respective financial year; 3: As per DGCI&S; 4 (+) indicates appreciation and (-) indicates depreciation of the Rupee vis-à-vis the US Dollar.
5. Yearly /Half yearly average exchange rate {average of buying & selling by Foreign Exchange Dealer Association of India (FEDAI)}.

Annex continued

2. BALANCE OF PAYMENTS : SUMMARY

(in US$ million)

	2009-10				2010-11
	Apr-Jun 2009	Jul-Sep 2009	Oct-Dec 2009	Jan-Mar 2010	Apr-Jun 2010
Items	(PR)	(PR)	(PR)	(PR)	(P)
1 Exports	39164	43518	47062	52419	53726
2 Imports	64799	72646	78135	83911	87920
3 Trade Balance	-25635	-29128	-31073	-31492	-34194
4 Invisibles (net)	21181	20355	18886	18494	20462
Services	10373	7580	8201	8052	10057
Investment Income	-1942	-788	-2012	-1871	-2414
Pvt. Transfers	12938	13757	12770	12590	13110
Official Transfer	-64	-57	196	-16	-56
5 Goods and Services Balance	-15262	-21548	-22872	-23440	-24137
6 Current Account Balance	-4454	-8773	-12187	-12998	-13732
7 External Assistance (net)	96	499	617	835	2336
8 External Commercial					
Borrowings (net)	-459	1188	1653	140	2671
9 Non-resident Deposits (net)	1818	1047	609	-551	1121
10 Rupee Debt Service	-23	-4317	0	-73	-16
11 Foreign Investment (net)	14389	16172	9606	11958	7755
(I) FDI (Net)	6121	6495	3921	3193	3150
(II) Portfolio	8268	9677	5685	8765	4605
12 Short Term Credits	-1463	846	3282	4987	5579
13 Capital Account (net)	4019	18798	14694	16088	18385
14 Reserve Movement					
(increase-/decrease+)	-115	-9418	-1767	-2141	-3741

Source : RBI, PR : Partially Revised P : Preliminary

3. MONETARY SURVEY

Items	Outstanding Balances				per cent variation			
	2008/09*	2009/10*	Oct/09/09	Oct/08/10	Full Year		year-on-year	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore	2008/09	2009/10	Oct/09/09	Oct/08/10
I. Broad Money (M_3)	4794812	5599762	5173845	5962123	19.3	16.8	19.5	15.2
Components of Money Stock								
1. Currency with the Public	665450	768033	701305	833513	17.1	15.4	16.2	18.9
2. Aggregate Deposits with Banks	4123792	4827890	4468107	5124022	19.9	17.1	20.1	14.7
3. Other Deposits with Reserve bank	5570	3839	4433	4588	-38.5	-31.1	-9.1	3.5
Sources of M_3								
(I) Net Bank Credit to Government (1+2)	1277333	1667096	1433957	1741985	42.0	30.5	44.7	21.5
1. RBI Credit to Government	61580	211586	5365	194702	-	-	-	-
2. Other Bank Credit to Government	1215753	1455511	1428592	1547284	20.0	19.7	39.8	8.3
(II) Bank Credit to Commercial Sector	3014893	3492781	3126589	3720942	16.9	15.9	10.4	19.0
1. RBI Credit to Commercial Sector	13820	1328	7982	1325	-	-	331.1	-83.4
2. Other Bank Credit to Commercial Sector	3001073	3491453	3118607	3719616	16.4	16.3	10.2	19.3
III. Net Foreign Exchange Assets of the Banking Sector	1352184	1281469	1331363	1324951	4.4	-5.2	-1.4	-0.5
IV. Other Items Net	859652	852854	728674	837517	12.4	-0.8	-14.6	14.9
Memorandum Items								
1. Net Domestic Assets	3442628	4318293	3842482	4637171	26.4	25.4	29.0	20.7
2. Reserve Money (M_0)	987998	1155686	935874	1164127	6.4	17.0	-4.0	24.4

* : Figures are for end March of the respective Financial Year

Annex continued

4. Trends in Growth Rates of Infrastructure Sectors and Universal Intermediaries

(Per cent)

Industry	Weight	2007-08	2008-09	2009-10	April-September 2009-10	April-September 2010-11
\I. Core Infrastructure Industries						
I Electricity generation	10.2	6.3	2.7	6.5	6.4	4.0
ii Coal	3.2	6.3	8.0	8.2	11.6	0.4
iii Steel	5.1	6.2	1.6	4.9	1.7	3.9
iv Crude Oil	4.2	0.4	-1.8	0.5	-1.2	10.2
v Refinery throughout	2	6.5	3.0	-0.4	-3.6	2.6
vi Cement	2	8.1	7.2	10.5	12.3	4.7
Average growth		**5.9**	**3**	**5.5**	**4.5**	**4.0**
II. Transport and Communications						
1. Cargo Handled at Major Ports		12.0	2.2	5.7	2.4	1.2
2. Railway Revenue Earning						
Freight Traffic		9.0	4.9	6.6	6.5	2.3
3. Civil Aviation						
a) Export Cargo handled		7.5	3.4	10.4	3.3	21.0
b) Import Cargo handled		19.7	-5.7	7.9	-8.5	27.5
c) Passengers handled at Inter-						
national Terminals		11.9	3.8	5.7	1.9	13.5
d) Passengers handled at						
domestic terminals		20.6	-12.1	14.5	5.6	16.6
4. Telecommunications:						
a. Cellular telephones		38.3	80.9	47.3	47.4	29.3

Source: 1. Ministry of Commerce & Industry.
2. Ministry of Statistics & Programme Implementation.

Annex continued

5. TAX REVENUE

(₹ in crore)

	DESCRIPTION	2010-2011 BE	2010-2011 ACTUALS upto 09/2010	2010-2011 %	2009-2010 BE	2009-2010 ACTUALS upto 09/2009	2009-2010 %
1	Corporation Tax	301331.00	123161.03	41%	256725.00	104504.44	41%
2	Taxes on Income	128066.00	59578.11	47%	112850.00	55229.29	49%
	(a) Taxes on Income other than Corporation Tax	*120566.00*	*56480.38*	*47%*	*106800.00*	*49703.45*	*47%*
	(b) Fringe Benefit Tax	*0.00*	*65.73*			*1905.60*	
	(c) Securities Transaction Tax	*7500.00*	*2874.28*	*38%*	*6000.00*	*3536.83*	*59%*
	(d) Banking Cash Transaction Tax	*0.00*	*157.72*		*50.00*	*83.41*	*167%*
3	Wealth Tax	603.00	313.80	52%	425.00	285.73	67%
4	Customs	115000.00	61051.10	53%	98000.00	37743.96	39%
5	Union Excise Duties	132000.00	52058.10	39%	106477.00	36892.86	35%
6	Service Tax	68000.00	26936.16	40%	65000.00	23236.42	36%
7	Other taxes	1650.92	1298.87	79%	1602.34	987.57	62%
	(a) Direct Taxes		***12.64***			***-61.81***	
	(b) Indirect Taxes		***1286.23***			***1049.38***	
	GROSS TAX REVENUE	**746650.92**	**324397.17**	**43%**	**641079.34**	**258880.27**	**40%**
	Of which netted against expenditure (Surcharge for financing National Calamity Contigency Fund)	3560.00	1204.47	34%	2500.00	1076.50	43%
Balance Gross Tax Revenue		**743090.92**	**323192.70**	**43%**	**638579.34**	**257803.77**	**40%**
Less *Assignment to States*		208996.88	89777.92	43%	164361.00	72135.07	44%
	NET TAX REVENUE	**534094.04**	**233414.78**	**44%**	**474218.34**	**185668.70**	**39%**

Annex continued

6. NON-TAX REVENUE

(₹ in crore)

DESCRIPTION	2010-2011 BE	2010-2011 ACTUALS upto 09/2010	%	2009-2010 BE	2009-2010 ACTUALS upto 09/2009	%
A. Interest receipts	22252.67	15937.04	72%	27098.63	14815.11	55%
Less - *i) Receipts incidential to Market Borrowing taken in reduction of cost of borrowing*	3000.00	5565.87	186%	5186.54	7276.59	140%
ii) Waiver of Interest				2737.59		
Net Interest Receipts	**19252.67**	**10371.17**	**54%**	**19174.50**	**7538.52**	**39%**
B. Dividends and Profits	51308.59	30246.69	59%	49750.28	34015.78	68%
C. Non-Tax Revenue of U.T.s	925.37	519.27	56%	754.13	546.10	72%
D. Other Non-Tax Revenue						
Fiscal Services	132.30	27.97	21%	148.37	79.78	54%
Other General Services	18538.09	8278.74	45%	21377.52	7079.03	33%
Less: Other Receipts utilised to write-off loans etc.	1107.30	0.00		5507.65	0.00	
Net - Other General Services	17430.79	8278.74	47%	15869.87	7079.03	45%
Social Services	691.27	430.41	62%	607.90	356.35	59%
Economic Services	76365.93	120288.27	158%	73041.82	13605.60	19%
Less *- (I) Other Receipts utilised to write-off loans*	0.00			3402.62	0.00	
Net Economic Services	76365.93	120288.27	158%	69639.20	13605.60	20%
Grants-in-Aid and Contributions	2060.17	612.13	30%	2136.20	891.63	42%
Total Other Non-Tax Revenue	**96680.46**	**129637.52**	**134%**	**88401.54**	**22012.39**	**25%**
Less : Commercial Departments	20049.35	5955.59	30%	17800.96	5310.29	30%
Net Other Non-Tax Revenue	**76631.11**	**123681.93**	**161%**	**70600.58**	**16702.10**	**24%**
Net Non-Tax Revenue (A+B+C+D)	**148117.74**	**164819.06**	**111%**	**140279.49**	**58802.50**	**42%**

Annex continued

7. CAPITAL RECEIPTS

(₹ in crore)

			2010-2011			2009-2010		
DESCRIPTION			BE	ACTUALS upto 09/2010	%	BE	ACTUALS upto 09/2009	%
1	(a)	Market Loans including						
		Short term borrowings	*345010.00*	*187499.76*	*54%*	*397957.46*	*290918.50*	*73%*
	(b)	Receipt under MSS (Net)	*-47263.00*	*-2737.00*	*6%*	*-38772.78*	*-70000.00*	*181%*
	(c)	Treasury Bills(14 days)		-26759.51			-14813.06	
2		Securities against Small Savings	*13255.52*	*-12679.61*	*-96%*	*13255.52*	*-621.61*	*-5%*
3	(i)	External Loans						
		Gross Borrowings	*34735.42*	*17807.62*	*51%*	*27080.41*	*8468.72*	*31%*
		Less Repayments	*12271.33*	*5873.54*	*48%*	*11033.84*	*5491.32*	*50%*
		Net Borrowings	*22464.09*	*11934.08*	*53%*	*16046.57*	*2977.40*	*19%*
	(ii)	Revolving Fund		26.55			-3.53	
		Non-Debt Capital Receipts (4&5)						
4		Recoveries of Loans and Advances						
		Gross Recoveries	*6623.87*	*4501.36*	*68%*	*5719.89*	*2554.19*	*45%*
		Less Recoveries of Ways & Means Advances and Loans to Govt. Servants	1495.00	245.76	16%	1495.00	252.32	17%
		Net Recoveries of Loans & Advances	5128.87	4255.60	83%	4224.89	2301.87	54%
5		Miscellaneous Capital Receipts	40000.00	2235.22	6%	1120.00	4299.90	384%
	(i)	Disinvestment of Govt.'s Equity Holdings	*40000.00*	*2155.42*	*5%*	*1120.00*	*4299.90*	*384%*
	(ii)	Issue of Bonus Shares		0.00			0.00	
	(iii)	Other Misc. Receipts	0.00	79.80	0%	0.00	0.00	0%
6		National Small Savings Fund	2592.68	30569.48		-102.82	10997.36	
	(a)	Small Savings,Public Provident Funds	50000.00	29996.98	60%	25000.00	21379.40	86%
	(b)	Investment in Securities	-43114.86	-3039.64	7%	-24999.36	-9177.91	37%
	(c)	Income & Expenditure of NSSF	-4292.46	3612.14	-84%	-103.46	-1204.13	1164%
7		Deposit Scheme for Retiring employees	*-5.00*	*-0.93*	*19%*	*-65.00*	*-0.98*	*2%*
8		State Provident Funds	7000.00	3745.44	54%	5000.00	5490.91	110%
9		Special Deposits of Non-Govt. Provident Funds,LIC,GIC,etc.	0.00	-476.32		0.00	-908.06	
10		Other Capital Receipts	-8908.78	-12324.73	138%	-31096.00	-21710.03	70%
11		Suspense & Remittance		-12698.68			-7010.56	
12		Ways & Means Advances		0.00			0.00	
13		Investment (-)/disinvestment(+) of Surplus Cash		-31819.00			-33781.00	
14		Decrease in Cash Balance (Including difference between RBI & A/C)	0.00	-3764.37		0.00	-33760.51	
15		Cash held under MSS	47263.00	2737.00	6%	38772.78	70000.00	181%
		TOTAL	**426537.38**	**139742.98**	**33%**	**406340.62**	**204376.60**	**50%**

8. PLAN EXPENDITURE

(₹ in crore)

GRANT NO.	MINISTRY/ DEPARTMENT	2010-2011 BE	2010-2011 ACTUALS UPTO 09/2010	2010-2011 %age	2009-2010 BE	2009-2010 ACTUALS UPTO 09/2009	2009-2010 %age
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF AGRICULTURE		**18642.00**	**10854.00**	**58%**	**14167.07**	**6667.20**	**47%**
1	Department of Agriculture and Cooperation	15042.00	9211.92	61%	11307.07	5337.22	47%
2	Department of Agricultural Research and Education						
	Gross:	2307.50	1035.69	45%	1833.37	1052.85	57%
	Less : Recoveries:	7.50	0.00	0%	73.37	52.93	72%
	Net	2300.00	1035.69	45%	1760.00	999.92	57%
3	Department of Animal Husbandry, Dairying and Fisheries	1300.00	606.39	47%	1100.00	330.06	30%
DEPARTMENT OF ATOMIC ENERGY		**5000.00**	**1208.39**	**24%**	**4150.00**	**1688.57**	**41%**
4	Atomic Energy	3152.00	897.39	28%	2484.28	951.48	38%
5	Nuclear Power Schemes	1848.00	311.00	17%	1665.72	737.09	44%
MINISTRY OF CHEMICALS AND FERTILISERS		**780.00**	**434.93**	**56%**	**595.00**	**252.77**	**42%**
6	Department of Chemicals and Petro-Chemicals	400.00	249.08	62%	239.75	161.10	67%
7	Department of Fertilisers	215.00	135.94	63%	200.00	54.66	27%
8	Department of Pharmaceuticals	165.00	49.91	30%	155.25	37.01	24%
MINISTRY OF CIVIL AVIATION		**2000.00**	**172.11**	**9%**	**190.00**	**1.07**	**1%**
9	Ministry of Civil Aviation	2000.00	172.11	9%	190.00	1.07	1%
MINISTRY OF COAL		**400.00**	**0.10**	**0%**	**300.00**	**36.83**	**12%**
10	Ministry of Coal	400.00	0.10	0%	300.00	36.83	12%
MINISTRY OF COMMERCE AND INDUSTRY		**2730.00**	**1642.67**	**60%**	**2560.00**	**1090.71**	**43%**
11	Department of Commerce						
	Gross	1680.00	994.18	59%	1564.06	699.60	45%
	Less : Recoveries	0.00	4.18		4.06	19.20	
	Net	1680.00	990.00	59%	1560.00	680.40	44%
12	Department of Industrial Policy & Promotion	1050.00	652.67	62%	1000.00	410.31	41%
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY		**5320.00**	**1847.63**	**35%**	**3581.00**	**763.28**	**21%**
13	Department of Posts	660.00	142.54	22%	620.00	96.11	16%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
14	Department of Telecommunications	2000.00	47.03	2%	431.00	48.89	11%
15	Department of Information Technology	2660.00	1658.06	62%	2530.00	618.28	24%
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	**320.00**	**52.00**	**16%**	**304.00**	**40.46**	**13%**
16	Department of Consumer Affairs	220.00	29.26	13%	209.00	18.26	9%
17	Department of Food and Public Distibution	100.00	22.74	23%	95.00	22.20	23%
	MINISTRY OF CORPORATE AFFAIRS	**40.00**	**38.83**	**97%**	**33.00**	**1.83**	**6%**
18	Ministry of Corporate Affairs	40.00	38.83	97%	33.00	1.83	6%
	MINISTRY OF CULTURE	**735.00**	**343.18**	**47%**	**700.00**	**235.83**	**34%**
19	Ministry of Culture	735.00	343.18	47%	700.00	235.83	34%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	**1740.00**	**429.23**	**25%**	**1455.00**	**239.31**	**16%**
28	Ministry of Development of North Eastern Region						
	Gross	1840.00	429.23	**23%**	1601.80	239.31	**15%**
	Less : Recoveries	100.00	0.00		146.80		
	Net	1740.00	429.23	**25%**	1455.00	239.31	**16%**
	MINISTRY OF EARTH SCIENCES	**1000.00**	**455.40**	**46%**	**900.00**	**412.25**	**46%**
29	Ministry of Earth Sciences	1000.00	455.40	46%	900.00	412.25	46%
	MINISTRY OF ENVIRONMENT AND FORESTS	**2200.00**	**924.72**	**42%**	**1880.00**	**809.84**	**43%**
30	Ministry of Environment and Forests	2200.00	924.72	42%	1880.00	809.84	43%
	MINISTRY OF EXTERNAL AFFAIRS	**700.00**	**428.74**	**61%**	**629.00**	**80.68**	**13%**
31	Ministry of External Affairs	700.00	428.74	61%	629.00	80.68	13%
	MINISTRY OF FINANCE	**72573.74**	**30539.50**	**42%**	**66848.59**	**23718.18**	**35%**
32	Department of Economic Affairs						
	Gross	3233.72	900.10	28%	2308.36	724.70	31%
	Less : Recoveries	876.73	438.36	50%	958.36	239.59	25%
	Net	2356.99	461.74	20%	1350.00	485.11	36%
33	Department of Financial Services	50.00	0.00	0%	1542.00	0.00	0%
35	Transfers to State and UT Governments						
	Gross	77888.25	30076.94	39%	63946.59	23232.17	36%
	Less : Recoveries	7732.00	0.00	0%	0.00	0.00	
	Net	70156.25	30076.94	43%	63946.59	23232.17	36%
38	Department of Expenditure	10.50	0.82	8%	10.00	0.90	9%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF FOOD PROCESSING INDUSTRIES		**400.00**	**216.23**	**54%**	**340.00**	**104.39**	**31%**
45	Ministry of Food Processing Industries	400.00	216.23	54%	340.00	104.39	31%
MINISTRY OF HEALTH AND FAMILY WELFARE		**22300.00**	**9882.10**	**44%**	**19534.00**	**7896.02**	**40%**
46	Department of Health and Family Welfare	21000.00	9105.48	43%	18380.00	7296.60	40%
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	800.00	469.03	59%	734.00	291.79	40%
48	Department of Health Research	500.00	307.59	62%	420.00	307.63	73%
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		**380.50**	**242.36**	**64%**	**360.00**	**64.04**	**18%**
49	Department of Heavy Industry	370.00	236.04	64%	350.00	61.30	18%
50	Department of Public Enterprises	10.50	6.32	60%	10.00	2.74	27%
MINISTRY OF HOME AFFAIRS		**3402.10**	**1522.55**	**45%**	**3899.87**	**901.63**	**23%**
51	Ministry of Home Affairs	911.71	570.98	63%	303.40	20.47	7%
53	Police	940.29	245.56	26%	849.60	127.11	15%
54	Other Expenditure of the Ministry of Home Affairs	149.00	1.31	1%	47.00	0.26	1%
55	Transfers to UT Govts.	1401.10	704.70	50%	2699.87	753.79	28%
MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION		**1000.00**	**292.63**	**29%**	**850.00**	**127.47**	**15%**
56	Ministry of Housing and Urban Poverty Alleviation	1000.00	292.63	29%	850.00	127.47	15%
MINISTRY OF HUMAN RESOURCE DEVELOPMENT		**42032.00**	**20792.95**	**49%**	**36396.00**	**12167.62**	**33%**
57	Department of School Education and Literacy						
	Gross	45594.88	17071.74	37%	39770.37	8273.40	21%
	Less : Rec. (prarambik shiksha kosh/National Inv. Fund	14558.88	0.00	0%	12970.37	0.00	0%
	Net	31036.00	17071.74	55%	26800.00	8273.40	31%
58	Department of Higher Education	10996.00	3721.21	34%	9596.00	3894.22	41%
MINISTRY OF INFORMATION AND BROADCASTING		**850.00**	**496.49**	**58%**	**800.00**	**160.20**	**20%**
59	Ministry of Information and Broadcasting	850.00	496.49	58%	800.00	160.20	20%
MINISTRY OF LABOUR AND EMPLOYMENT		**965.16**	**403.21**	**42%**	**880.75**	**309.94**	**35%**
60	Ministry of Labour and Employment						
	Gross	1715.16	403.21	**24%**	1630.76	309.94	**19%**
	Less : Recoveries	750.00	0.00		750.01		
	Net	965.16	403.21	42%	880.75	309.94	35%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF LAW AND JUSTICE		**280.00**	**44.92**	**16%**	**260.00**	**71.02**	**27%**
62	Law and Justice	280.00	44.92	16%	260.00	71.02	27%
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISE		**2400.00**	**1180.44**	**49%**	**1794.00**	**598.40**	**33%**
64	Ministry of Micro, Small and Medium Enterprises	2400.00	1180.44	49%	1794.00	598.40	33%
MINISTRY OF MINES		**200.00**	**116.37**	**58%**	**192.00**	**52.93**	**28%**
65	Ministry of Mines	200.00	116.37	58%	192.00	52.93	28%
MINISTRY OF MINORITY AFFAIRS		**2600.00**	**766.95**	**29%**	**1740.00**	**670.89**	**39%**
66	Ministry of Minority Affairs	2600.00	766.95	29%	1740.00	670.89	39%
MINISTRY OF NEW AND RENEWABLE ENERGY		**998.00**	**538.01**	**54%**	**617.00**	**256.75**	**42%**
67	Ministry of New and Renewable Energy	998.00	538.01	54%	617.00	256.75	42%
MINISTRY OF PANCHAYATI RAJ		**5170.00**	**2618.80**	**51%**	**4780.00**	**485.95**	**10%**
69	Ministry of Panchayati Raj	5170.00	2618.80	51%	4780.00	485.95	10%
MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS		**250.00**	**59.96**	**24%**	**238.00**	**129.18**	**54%**
71	Ministry of Personnel, Public Grievances and Pensions	250.00	59.96	24%	238.00	129.18	54%
MINISTRY OF PETROLEUM AND NATURAL GAS		**37.00**	**0.00**	**0%**	**25.00**	**0.00**	0%
72	Ministry of Petroleum and Natural Gas	37.00	0.00	0%	25.00	0.00	0%
MINISTRY OF PLANNING		**2000.00**	**47.13**	**2%**	**452.00**	**14.30**	**3%**
73	Ministry of Planning	2000.00	47.13	2%	452.00	14.30	3%
MINISTRY OF POWER		**10630.00**	**3988.86**	**38%**	**9230.00**	**2009.50**	**22%**
74	Ministry of Power						
	Gross	15682.00	4021.75	26%	9230.00	2009.50	22%
	Less : Recoveries	5052.00	32.89	1%	0.00	0.00	
	Net	10630.00	3988.86	38%	9230.00	2009.50	22%
MINISTRY OF ROAD TRANSPORT AND HIGHWAYS		**19893.75**	**8999.38**	**45%**	**17520.06**	**8304.59**	**47%**
80	Ministry of Road Transport and Highways						
	Gross	31589.90	14048.01	44%	28488.57	12968.83	46%
	Less : Recoveries (Central Road fund & Bridge fee fund)	11696.15	5048.63	43%	10968.51	4664.24	43%
	Net	19893.75	8999.38	45%	17520.06	8304.59	47%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF RURAL DEVELOPMENT		**79340.00**	**38414.10**	**48%**	**74270.00**	**32548.71**	**44%**
81	Department of Rural Development						
	Gross	137850.12	32718.54	24%	106613.13	28023.51	26%
	Less : (i) Recoveries (National Emp. Gur fund/ CR fund	71750.12	438.36	1%	43943.13	0.00	0%
	(ii) Receipts						
	Net	66100.00	32280.18	49%	62670.00	28023.51	45%
82	Department of Land Resources	2660.00	1533.38	58%	2400.00	1046.87	44%
83	Department of Drinking Water Supply						
	Gross	10580.00	4600.54	43%	9300.00	3478.33	37%
	Less : Recoveries	0.00	0.00		100.00	0.00	
	Net	10580.00	4600.54	43%	9200.00	3478.33	38%
MINISTRY OF SCIENCE AND TECHNOLOGY		**4825.00**	**2515.19**	**52%**	**4125.00**	**2121.22**	**51%**
84	Department of Science and Technology						
	Gross	2025.00	1117.27	55%	1775.00	945.97	53%
	Less : Recoveries	0.00	0.00		0.00	0.00	
	Net	2025.00	1117.27	55%	1775.00	945.97	53%
85	Department of Scientific and Industrial Research	1600.00	793.17	50%	1350.00	654.50	48%
86	Department of Bio-Technology	1200.00	604.75	50%	1000.00	520.75	52%
MINISTRY OF SHIPPING		**623.00**	**266.11**	**43%**	**595.00**	**193.34**	**32%**
87	Ministry of Shipping	623.00	266.11	43%	595.00	193.34	32%
MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT		**4500.00**	**1889.04**	**42%**	**2500.00**	**995.19**	**40%**
88	Ministry of Social Justice & Empowerment	4500.00	1889.04	42%	2500.00	995.19	40%
DEPARTMENT OF SPACE		**5000.00**	**1923.25**	**38%**	**4100.00**	**1273.96**	**31%**
89	Department of Space						
	Gross	5000.04	1923.25	38%	4100.04	1273.96	31%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	5000.00	1923.25	38%	4100.00	1273.96	31%
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION		**1848.00**	**927.35**	**50%**	**1809.00**	**843.92**	**47%**
90	Ministry of Statistics and Programme Implementation	1848.00	927.35	50%	1809.00	843.92	47%
MINISTRY OF STEEL		**36.00**	**0.00**	**0%**	**34.00**	**0.00**	**0%**
91	Ministry of Steel	36.00	0.00	0%	34.00	0.00	0%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF TEXTILES		**4725.00**	**2077.75**	**44%**	**4500.00**	**2961.14**	**66%**
92	Ministry of Textiles						
	Gross	4725.00	2077.75	44%	4500.00	2961.14	66%
	Less : Recoveries	0.00			0.00	0.00	
	Net	4725.00	2077.75	44%	4500.00	2961.14	66%
MINISTRY OF TOURISM		**1050.00**	**459.15**	**44%**	**1000.00**	**408.40**	**41%**
93	Ministry of Tourism	1050.00	459.15	44%	1000.00	408.40	41%
MINISTRY OF TRIBAL AFFAIRS		**3206.50**	**1894.87**	**59%**	**3205.50**	**537.68**	17%
94	Ministry of Tribal Affairs	3206.50	1894.87	59%	3205.50	537.68	17%
U.T.s WITHOUT LEGISLATURE		**2092.40**	**677.39**	**32%**	**2460.91**	**742.41**	30%
95	Andaman & Nicobar Islands	954.36	320.13	34%	1536.81	505.10	33%
96	Chandigarh	450.91	144.94	32%	319.22	118.07	37%
97	Dadra & Nagar Haveli	195.82	68.02	35%	153.68	59.50	39%
98	Daman & Diu	169.23	53.12	31%	154.34	43.13	28%
99	Lakshadweep	322.08	91.18	28%	296.86	16.61	6%
MINISTRY OF URBAN DEVELOPMENT		**5457.84**	**2590.20**	**47%**	**3099.25**	**1531.87**	**49%**
100	Department of Urban Development	5306.50	2525.69	48%	2975.75	1471.51	49%
101	Public Works	151.34	64.51	43%	123.50	60.36	49%
MINISTRY OF WATER RESOURCES		**700.00**	**211.27**	**30%**	**600.00**	**236.12**	**39%**
103	Ministry of Water Resources						
	Gross	712.00	217.45	31%	612.00	240.84	39%
	Less : Recoveries	12.00	6.18	52%	12.00	4.72	39%
	Net	700.00	211.27	30%	600.00	236.12	39%
MINISTRY OF WOMEN AND CHILD DEVELOPMENT		**11000.00**	**5478.45**	**50%**	**7350.00**	**3743.03**	**51%**
104	Ministry of Women and Child Development	11000.00	5478.45	50%	7350.00	3743.03	51%
MINISTRY OF YOUTH AFFAIRS & SPORTS		**2844.00**	**1314.38**	**46%**	**2699.00**	**977.07**	**36%**
105	Ministry of Youth Affairs and Sports	2844.00	1314.38	46%	2699.00	977.07	36%
RAILWAYS		**15875.00**	**7487.22**	**47%**	**14600.00**	**7300.00**	**50%**
	Ministry of Railways						
	Gross		7504.39			7321.66	
	Less : Exp.met from Receipts		17.17			21.66	
	Exp. Met from Reserve Funds					0.00	
	Net	15875.00	7487.22	47%	14600.00	7300.00	50%
	GRAND TOTAL	**373091.99**	**169706.49**	**45%**	**325149.00**	**126777.69**	**39%**

9. NON-PLAN EXPENDITURE

(₹ in crore)

GRANT NO.	MINISTRY/ DEPARTMENT	2010-2011 BE	2010-2011 ACTUALS UPTO 06/2010	2010-2011 %age	2009-2010 BE	2009-2010 ACTUALS UPTO 06/2009	2009-2010 %age
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF AGRICULTURE		**2222.72**	**1861.89**	**84%**	**2195.83**	**1432.23**	**65%**
1	Department of Agriculture and Cooperation	605.97	91.17	15%	608.15	507.39	83%
2	Department of Agricultural Research and Education	1518.05	1702.66	112%	1481.40	861.74	58%
3	Department of Animal Husbandry, Dairying and Fisheries						
	Gross	461.10	205.55	45%	483.50	189.81	39%
	Less : Receipts	362.40	137.49	38%	377.22	126.71	34%
	Net	98.70	68.06	69%	106.28	63.10	59%
DEPARTMENT OF ATOMIC ENERGY		**3521.00**	**2155.28**	**61%**	**3623.00**	**2671.58**	**74%**
4	Atomic Energy						
	Gross	4630.24	2235.62	48%	4013.50	2428.81	61%
	Less : Receipts	1163.71	517.97	45%	1041.00	391.77	38%
	Recoveries	119.53	30.98	26%	158.50	19.63	12%
	Net	3347.00	1686.67	50%	2814.00	2017.41	72%
5	Nuclear Power Schemes						
	Gross	1984.99	807.65	41%	2110.30	979.17	46%
	Less : Receipts	1810.99	339.04	19%	1301.30	325.00	25%
	Net	174.00	468.61	269%	809.00	654.17	81%
MINISTRY OF CHEMICALS AND FERTILISERS		**50053.00**	**27999.05**	**56%**	**50060.48**	**32198.56**	**64%**
6	Department of Chemicals and Petro-Chemicals						
	Gross	20.00	10.22	51%	35.86	10.18	28%
	Less : Receipts				10.46	0.00	
	Net	20.00	10.22	51%	25.40	10.18	40%
7	Department of Fertilisers						
	Gross	52860.00	29202.25	55%	53600.50	33772.89	63%
	Less : Receipts						
	Recoveries	2860.00	1232.59	43%	3600.50	1601.79	44%
	Net	50000.00	27969.66	56%	50000.00	32171.10	64%
8	Department of Pharmaceuticals	33.00	19.17	58%	35.08	17.28	49%
MINISTRY OF CIVIL AVIATION		**885.00**	**611.11**	**69%**	**697.00**	**357.85**	**51%**
9	Ministry of Civil Aviation						
	Gross	885.04	611.11	69%	697.04	357.85	51%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	885.00	611.11	69%	697.00	357.85	51%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF COAL		**47.70**	**-10.38**	**-22%**	**49.00**	**-6.91**	**-14%**
10	Ministry of Coal						
	Gross	77.70	16.67	21%	79.00	22.93	29%
	Less : Recoveries	30.00	27.05	90%	30.00	29.84	99%
	Net	47.70	-10.38	-22%	49.00	-6.91	-14%
MINISTRY OF COMMERCE AND INDUSTRY		**2458.92**	**1928.10**	**78%**	**2278.00**	**1416.87**	**62%**
11	Department of Commerce						
	Gross	2304.55	1854.94	80%	2096.50	1339.36	64%
	Less : Recoveries	4.50	4.45	99%	4.50	8.92	198%
	Net	2300.05	1850.49	80%	2092.00	1330.44	64%
12	Department of Industrial Policy and Promotion						
	Gross	158.91	77.61	49%	186.03	86.43	46%
	Less : Recoveries	0.04	0.00	0%	0.03	0.00	0%
	Net	158.87	77.61	49%	186.00	86.43	46%
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY		**8864.01**	**8138.19**	**92%**	**12876.26**	**10809.48**	**84%**
13	Department of Posts						
	Gross	10998.33	6517.56	59%	11859.00	6333.72	53%
	Less : Receipts	6955.54	1708.93	25%	6135.74	1509.78	25%
	Recoveries	436.65	0.00	0%	322.00	0.00	0%
	Net	3606.14	4808.63	133%	5401.26	4823.94	89%
14	Department of Telecommunications						
	Gross	7610.87	3305.64	43%	9823.00	5965.13	61%
	Less : Recoveries	2400.00	0.00	0%	2400.00	0.00	0%
	Net	5210.87	3305.64	63%	7423.00	5965.13	80%
15	Department of Information Technology	47.00	23.92	51%	52.00	20.41	39%
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION		**56288.25**	**46114.94**	**82%**	**53425.00**	**32398.30**	**61%**
16	Department of Consumer Affairs						
	Gross	269.00	138.97	52%	271.90	136.57	50%
	Less :Recoveries	13.80	0.00	0%	13.90	0.00	0%
	Net	255.20	138.97	54%	258.00	136.57	53%
17	Department of Food & Public Distribution		.				
	Gross	67524.81	45976.24	68%	54679.27	32261.73	59%
	Less: Receipts	10935.00			725.00		
	Recoveries	556.76	0.27	0%	787.27	0.00	0%
	Net	56033.05	45975.97	82%	53167.00	32261.73	61%
MINISTRY OF CORPORATE AFFAIRS		**209.01**	**85.66**	**41%**	**196.62**	**103.68**	**53%**
18	Ministry of Corporate Affairs	209.01	85.66	41%	196.62	103.68	53%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF CULTURE		**503.00**	**288.83**	**57%**	**576.00**	**302.89**	**53%**
19	Ministry of Culture	503.00	288.83	57%	576.00	302.89	53%
MINISTRY OF DEFENCE		**175771.85**	**81414.57**	**46%**	**166663.00**	**73902.28**	**44%**
20	Ministry of Defence						
	Gross	12427.85	5680.60	46%	11370.00	4573.96	40%
	Less : Receipts	9000.00	3115.86	35%	8200.00	2749.77	34%
	Net	3427.85	2564.74	75%	3170.00	1824.19	58%
21	Defence Pensions	25000.00	15971.68	64%	21790.00	13158.40	60%
DEFENCE SERVICES		***147344.00***	***62878.15***	***43%***	***141703.00***	***58919.69***	***42%***
22	Defence Services-Army						
	Gross	58995.19	28507.16	48%	60270.83	28023.68	46%
	Less : Receipts	1631.74	1070.92	66%	1588.01	770.40	49%
	Recoveries	36.46	0.00	0%	34.72	0.00	0%
	Net	57326.99	27436.24	48%	58648.10	27253.28	46%
23	Defence Services-Navy						
	Gross	9455.03	4587.09	49%	8404.11	3909.91	47%
	Less : Receipts	125.36	27.73	22%	82.00	70.09	85%
	Net	9329.67	4559.36	49%	8322.11	3839.82	46%
24	Defence Services-Air Force						
	Gross	15803.65	6227.77	39%	14911.10	6132.85	41%
	Less : Receipts	592.92	182.60	31%	592.92	261.38	44%
	Net	15210.73	6045.17	40%	14318.18	5871.47	41%
25	Defence Ordnance Factories						
	Gross	1999.84	1211.41	61%	2496.95	2646.17	106%
	Less : Receipts	1428.65	625.26	44%	1364.01	390.65	29%
	Recoveries	325.00	0.00	0%	300.00	0.00	0%
	Net	246.19	586.15	238%	832.94	2255.52	271%
26	Defence Services - Research and Development						
	Gross	5260.42	2219.56	42%	4787.67	1946.14	41%
	Less : Receipts	30.00	22.69	76%	30.00	10.59	35%
	Net	5230.42	2196.87	42%	4757.67	1935.55	41%
27	Capital Outlay on Defence Services	60000.00	22054.36	37%	54824.00	17764.05	32%
MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION		**19.33**	**10.93**	**57%**	**20.47**	**11.51**	**56%**
28	Ministry of Development of North Eastern Region	19.33	10.93	57%	20.47	11.51	56%
MINISTRY OF EARTH SCIENCES		**302.00**	**174.14**	**58%**	**310.00**	**172.02**	**55%**
29	Ministry of Earth Sciences						
	Gross	305.35	175.68	58%	313.35	172.02	55%
	Less :Recoveries	3.35	1.54	46%	3.35	0.00	
	Net	302.00	174.14	58%	310.00	172.02	55%
MINISTRY OF ENVIRONMENT AND FORESTS		**151.16**	**157.45**	**104%**	**249.00**	**173.26**	**70%**
30	Ministry of Environment and Forests						
	Gross	401.16	157.51	39%	249.00	173.26	70%
	Less :Recoveries	250.00	0.06	0%	0.00	0.00	
	Net	151.16	157.45	104%	249.00	173.26	70%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF EXTERNAL AFFAIRS		**5675.00**	**2863.12**	**50%**	**5664.00**	**2112.07**	**37%**
31	Ministry of External Affairs	5675.00	2863.12	50%	5664.00	2112.07	37%
MINISTRY OF FINANCE		**358774.26**	**142441.04**	**40%**	**322768.54**	**130561.96**	**40%**
32	Department of Economic Affairs						
	Gross	5437.76	-567.90	-10%	11091.71	1078.21	10%
	Less : Recoveries	1072.30	3.16	0%	906.60	0.00	
	Receipts	0.01					
	Net	4365.45	-571.06	-13%	10185.11	1078.21	11%
33	Department of Financial Services						
	Gross	49559.10	6398.17	13%	36871.54	31209.95	85%
	Less : Receipts	0.00	0.00		0.00		
	Recoveries	12000.00	5.46		15000.00	15000.00	100%
	Net	37559.10	6392.71	17%	21871.54	16209.95	74%
34	Interest Payments						
	Gross	251664.00	108345.06	43%	230697.40	93945.23	41%
	Less : Receipts	3000.00	5565.87	186%	5186.54	7276.59	140%
	Net	248664.00	102779.19	41%	225510.86	86668.64	38%
35	Transfers to State and UT Governments						
	Gross	41184.00	19189.19	47%	46246.58	15452.86	33%
	Less : Receipts	4660.00	1204.47	26%	9000.00	1076.50	12%
	Recoveries	3560.00	0.00	0%	2500.00	282.99	11%
	Net	32964.00	17984.72	55%	34746.58	14093.37	41%
36	Loans to Govt. Servants etc.						
	Gross	300.00	89.49	30%	360.00	72.37	20%
	Less : Receipts	495.00	245.76	50%	495.00	252.32	51%
	Net	-195.00	-156.27	80%	-135.00	-179.95	133%
37	Repayment of Debt						
	Gross (Excluding MSS)	3379927.56	1515589.19	45%	1827807.43	1453200.93	80%
	Less : Receipts	3379927.56	1515589.19	45%	1827807.43	1453200.93	80%
	Net	0.00	0.00		0.00	0.00	
38	Department of Expenditure	110.35	47.96	43%	68.00	36.90	54%
39	Pensions						
	Gross	16000.00	7219.13	45%	10966.67	6975.52	64%
	Less : Receipts	1000.00	0.00	0%	0.00	0.00	
	Net	15000.00	7219.13	48%	10966.67	6975.52	64%
40	Indian Audit and Accounts Department						
	Gross	2090.15	1050.12	50%	2352.83	1187.15	50%
	Less :Recoveries	136.15	52.08	38%	127.83	68.17	53%
	Net	1954.00	998.04	51%	2225.00	1118.98	50%
41	Department of Revenue						
	Gross	11122.89	4379.39	39%	9647.87	2077.84	22%
	Less : Receipts	308.00	64.62	21%	300.97	115.89	39%
	Recoveries	54.89	1.28	2%	39.90	0.00	0%
	Net	10760.00	4313.49	40%	9307.00	1961.95	21%
42	Direct Taxes						
	Gross	4524.00	1882.85	42%	3502.00	1182.21	34%
	Less :Recoveries	2.00	1.54	77%	2.00	0.34	17%
	Net	4522.00	1881.31	42%	3500.00	1181.87	34%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
43	Indirect Taxes						
	Gross	3007.50	1530.17	51%	3385.00	1414.27	42%
	Less : Recoveries	0.50	0.17	34%	1.00	0.04	4%
	Net	3007.00	1530.00	51%	3384.00	1414.23	42%
44	Department of Disinvestment						
	Gross	63.36	21.82	34%	2258.78	2.29	0%
	Less : Recoveries	0.00	0.00		1120.00	0.00	0%
	Net	63.36	21.82	34%	1138.78	2.29	0%
MINISTRY OF FOOD PROCESSING INDUSTRIES		**9.72**	**4.57**	**47%**	**10.50**	**5.06**	**48%**
45	Ministry of Food Processing Industries	9.72	4.57	47%	10.50	5.06	48%
MINISTRY OF HEALTH AND FAMILY WELFARE		**2854.00**	**2452.91**	**86%**	**3107.33**	**2064.84**	**66%**
46	Department of Health and Family Welfare						
	Gross	4236.07	2677.93	63%	4344.95	2185.63	50%
	Less :Recoveries	1706.07	428.04	25%	1611.62	346.73	22%
	Net	2530.00	2249.89	89%	2733.33	1838.90	67%
47	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy (Ayush)	164.00	83.08	51%	188.00	87.89	47%
48	Department of Health Research	160.00	119.94	75%	186.00	138.05	74%
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		**516.93**	**260.82**	**50%**	**469.20**	**10.12**	**2%**
49	Department of Heavy Industry	511.71	256.82	**50%**	462.00	7.36	**2%**
50	Department of Public Enterprises	5.22	4.00	77%	7.20	2.76	38%
MINISTRY OF HOME AFFAIRS		**33733.97**	**19252.22**	**57%**	**36879.78**	**16040.29**	**43%**
51	Ministry of Home Affairs	2371.68	1382.69	58%	1311.00	662.48	51%
52	Cabinet	425.42	140.43	33%	458.17	148.69	32%
53	Police						
	Gross	29229.92	17076.91	58%	33185.26	14534.20	44%
	Less :Recoveries	230.00	134.15	58%	225.00	118.65	53%
	Net	28999.92	16942.76	58%	32960.26	14415.55	44%
54	Other Expenditure of the Ministry of Home Affairs	1346.95	550.94	41%	1370.35	413.95	30%
55	Transfers to UT Govts.	590.00	235.40	40%	780.00	399.62	51%
MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION		**7.03**	**3.52**	**50%**	**7.97**	**3.98**	**50%**
56	Ministry of Housing and Urban Poverty Alleviation	7.03	3.52	50%	7.97	3.98	50%
MINSTRY OF HUMAN RESOURCE DEVELOPMENT		**7872.00**	**3747.45**	**48%**	**8132.21**	**4122.19**	**51%**
57	Department of School Education and Literacy	2178.00	1103.81	51%	2299.21	1548.28	67%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
58	Department of Higher Education	5694.00	2643.64	46%	5833.00	2573.91	44%
				1760.34			
MINISTRY OF INFORMATION AND BROADCASTING		**1754.18**	**875.26**	**50%**	**1768.00**	**867.70**	**49%**
59	Ministry of Information and Broadcasting						
	Gross	1754.25	875.26	50%	1768.07	867.70	49%
	Less : Recoveries	0.07	0.00		0.07	0.00	0%
	Net	1754.18	875.26	50%	1768.00	867.70	49%
MINISTRY OF LABOUR AND EMPLOYMENT		**1883.17**	**1577.53**	**84%**	**1562.22**	**1243.59**	**80%**
60	Ministry of Labour and Employment						
	Gross	2213.26	1577.54	71%	1832.13	1243.59	68%
	Less : Recoveries	330.09	0.01	0%	269.91	0.00	0%
	Net	1883.17	1577.53	84%	1562.22	1243.59	80%
MINISTRY OF LAW AND JUSTICE		**511.65**	**279.96**	**55%**	**1527.02**	**540.98**	**35%**
61	Election Commission	19.46	11.72	60%	21.00	14.24	68%
62	Law and Justice	407.19	216.54	53%	1418.00	470.09	33%
63	Supreme Court of India	85.00	51.70	61%	88.02	56.65	64%
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES		**248.70**	**138.18**	**56%**	**239.45**	**121.25**	**51%**
64	Ministry of Micro, Small and Medium Enterprises	248.70	138.18	56%	239.45	121.25	51%
MINISTRY OF MINES		**366.14**	**227.83**	**62%**	**398.00**	**218.70**	**55%**
65	Ministry of Mines	366.14	227.83	62%	398.00	218.70	55%
MINISTRY OF MINORITY AFFAIRS		**15.37**	**6.24**	**41%**	**16.50**	**7.40**	**45%**
66	Ministry of Minority Affairs	15.37	6.24	41%	16.50	7.40	45%
MINISTRY OF NEW AND RENEWABLE ENERGY		**10.50**	**7.23**	**69%**	**11.00**	**7.91**	**72%**
67	Ministry of New and Renewable Energy	10.50	7.23	69%	11.00	7.91	72%
MINISTRY OF OVERSEAS INDIANS AFFAIRS		**81.00**	**16.69**	**21%**	**80.00**	**13.33**	**17%**
68	Ministry of Overseas Indians Affairs	81.00	16.69	21%	80.00	13.33	17%
MINISTRY OF PANCHAYATI RAJ		**0.71**	**0.21**	**30%**	**0.71**	**0.23**	**32%**
69	Ministry of Panchayati Raj	0.71	0.21	30%	0.71	0.23	32%
MINISTRY OF PARLIAMENTARY AFFAIRS		**7.47**	**4.18**	**56%**	**8.33**	**4.09**	**49%**
70	Ministry of Parliamentary Affairs	7.47	4.18	56%	8.33	4.09	49%
MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS		**456.36**	**250.65**	**55%**	**437.50**	**233.03**	**53%**
71	Ministry of Personnel, Public Grievances and Pensions	456.36	250.65	55%	437.50	233.03	53%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF PETROLEUM AND NATURAL GAS		**3142.00**	**15172.68**	**483%**	**3144.00**	**1149.33**	**37%**
72	Ministry of Petroleum and Natural Gas						
	Gross	3142.00	15172.68	483%	13450.33	11455.66	85%
	Less : Receipts	0.00	0.00		10306.33	10306.33	100%
	Net	3142.00	15172.68	483%	3144.00	1149.33	37%
MINISTRY OF PLANNING		**59.32**	**39.34**	**66%**	**67.00**	**42.24**	**63%**
73	Ministry of Planning	59.32	39.34	66%	67.00	42.24	63%
MINISTRY OF POWER		**-155.13**	**51.28**	**-33%**	**-28.00**	**50.82**	**-182%**
74	Ministry of Power						
	Gross	133.58	51.28	38%	276.73	50.82	18%
	Less : Receipts	288.71	0.00	0%	304.73	0.00	0%
	Net	-155.13	51.28	-33%	-28.00	50.82	-182%
THE PRESIDENT, PARLIAMENT, UNION PUBLIC SERVICE COMMISSION AND THE SECRETARIAT OF THE VICE-PRESIDENT		**670.17**	**325.82**	**49%**	**686.06**	**306.69**	**45%**
75	Staff, Household and Allowances of the President	29.11	11.99	41%	27.52	12.62	46%
76	Lok Sabha	348.32	151.86	44%	384.65	146.08	38%
77	Rajya Sabha	173.05	84.03	49%	160.64	74.15	46%
78	Union Public Service Commission	116.67	76.70	66%	110.91	72.34	65%
79	Secretariat of the Vice-President	3.02	1.24	41%	2.34	1.50	64%
MINISTRY OF ROAD TRANSPORT AND HIGHWAYS		**4184.90**	**645.78**	**15%**	**4115.00**	**935.64**	**23%**
80	Ministry of Road Transport and Highways						
	Gross	4335.40	677.58	16%	4259.61	967.64	23%
	Less : Recoveries	150.50	31.80	21%	144.61	32.00	22%
	Net	4184.90	645.78	15%	4115.00	935.64	23%
MINISTRY OF RURAL DEVELOPMENT		**47.44**	**28.29**	**60%**	**45.43**	**30.32**	**67%**
81	Department of Rural Development	37.86	22.08	58%	36.95	23.19	63%
82	Department of Land Resources	5.80	3.60	62%	5.64	4.29	76%
83	Department of Drinking Water Supply	3.78	2.61	69%	2.84	2.84	100%
MINISTRY OF SCIENCE AND TECHNOLOGY		**1754.00**	**898.07**	**51%**	**1723.00**	**881.74**	**51%**
84	Department of Science and Technology						
	Gross	351.50	187.31	53%	365.65	197.95	54%
	Less : Recoveries	7.50	0.88	12%	7.65	5.08	66%
	Net	344.00	186.43	54%	358.00	192.87	54%
85	Department of Scientific and Industrial Research	1388.00	693.61	50%	1341.00	671.14	50%
86	Department of Biotechnology	22.00	18.03	82%	24.00	17.73	74%

Annex continued

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MINISTRY OF SHIPPING		**1312.89**	**133.72**	**10%**	**1160.53**	**21.29**	**2%**
87	Ministry of Shipping						
	Gross	1549.89	210.55	14%	1355.53	115.98	9%
	Less : Receipts	160.00	71.68	45%	140.00	91.36	65%
	Recoveries	77.00	5.15	7%	55.00	3.33	6%
	Net	1312.89	133.72	10%	1160.53	21.29	2%
MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT		**74.00**	**44.44**	**60%**	**85.00**	**38.55**	**45%**
88	Ministry of Social Justice & Empowerment	74.00	44.44	60%	85.00	38.55	45%
DEPARTMENT OF SPACE		**778.00**	**446.80**	**57%**	**859.00**	**639.42**	**74%**
89	Department of Space						
	Gross	778.00	446.80	57%	859.00	639.42	74%
	Less : Recoveries	0.00	0.00		0.00	0.00	
	Net	778.00	446.80	57%	859.00	639.42	74%
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION		**300.35**	**174.54**	**58%**	**306.27**	**163.73**	**53%**
90	Ministry of Statistics and Programme Implementation	300.35	174.54	58%	306.27	163.73	53%
MINISTRY OF STEEL		**71.62**	**35.45**	**49%**	**81.36**	**15.79**	19%
91	Ministry of Steel						
	Gross	78.92	35.45	45%	89.01	15.79	18%
	Less: Receipts	7.30			7.65		
	Recoveries	0.00	0.00		0.00	0.00	
	Net	71.62	35.45	49%	81.36	15.79	19%
MINISTRY OF TEXTILES		**883.08**	**1027.54**	**116%**	**898.00**	**411.66**	**46%**
92	Ministry of Textiles						
	Gross	883.08	1027.54	116%	7027.75	411.66	6%
	Less : Receipts	0.00	0.00		6129.75	0.00	
	Net	883.08	1027.54	116%	898.00	411.66	46%
MINISTRY OF TOURISM		**69.41**	**27.72**	**40%**	**70.00**	**26.88**	**38%**
93	Ministry of Tourism	69.41	27.72	40%	70.00	26.88	38%
MINISTRY OF TRIBAL AFFAIRS		**13.87**	**8.58**	**62%**	**14.61**	**9.01**	**62%**
94	Ministry of Tribal Affairs	13.87	8.58	62%	14.61	9.01	62%
U.Ts WITHOUT LEGISLATURE		**3148.19**	**1607.39**	**51%**	**3151.97**	**1683.85**	**53%**
95	Andaman & Nicobar Islands						
	Gross	1208.45	616.98	51%	1264.57	600.04	47%
	Less : Recoveries	102.20	62.44	61%	116.20	41.43	36%
	Net	1106.25	554.54	50%	1148.37	558.61	49%
96	Chandigarh						
	Gross	1866.00	1115.91	60%	1849.00	932.44	50%
	Less : Recoveries	400.00	322.70	81%	400.00	74.74	19%
	Net	1466.00	793.21	54%	1449.00	857.70	59%
97	Dadra & Nagar Haveli						
	Gross	1446.84	627.37	43%	1888.67	488.16	26%
	Less : Recoveries	1357.50	576.93	42%	1797.25	451.25	25%
	Net	89.34	50.44	56%	91.42	36.91	40%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
98	Daman & Diu						
	Gross	581.14	350.07	60%	715.81	236.10	33%
	Less : Recoveries	482.60	305.97	63%	632.60	189.86	30%
	Net	98.54	44.10	45%	83.21	46.24	56%
99	Lakshadweep						
	Gross	475.64	177.62	37%	448.00	187.99	42%
	Less : Recoveries	87.58	12.52	14%	68.03	3.60	5%
	Net	388.06	165.10	43%	379.97	184.39	49%
MINISTRY OF URBAN	**DEVELOPMENT**	**2031.53**	**1078.36**	**53%**	**2146.53**	**1058.71**	**49%**
100	Department of Urban Development						
	Gross	682.71	353.18	52%	690.04	316.44	46%
	Less : Recoveries	0.04	0.00	0%	0.04	0.00	0%
	Net	682.67	353.18	52%	690.00	316.44	46%
101	Public Works						
	Gross	1321.24	687.51	52%	1399.05	681.36	49%
	Less : Recoveries	58.15	8.54	15%	75.05	11.63	15%
	Net	1263.09	678.97	54%	1324.00	669.73	51%
102	Stationery and Printing						
	Gross	228.77	116.68	51%	292.53	130.05	44%
	Less : Recoveries	143.00	70.47	49%	160.00	57.51	36%
	Net	85.77	46.21	54%	132.53	72.54	55%
MINISTRY OF WATER	**RESOURCES**	**405.00**	**247.26**	**61%**	**403.00**	**241.55**	**60%**
103	Ministry of Water Resources						
	Gross	419.52	251.10	60%	417.54	245.11	59%
	Less : Recoveries	14.52	3.84	26%	14.54	3.56	24%
	Net	405.00	247.26	61%	403.00	241.55	60%
MINISTRY OF WOMEN AND	**CHILD DEVELOPMENT**	**70.50**	**40.74**	**58%**	**78.00**	**39.48**	**51%**
104	Ministry of Women and Child Development	70.50	40.74	58%	78.00	39.48	51%
MINISTRY OF YOUTH AFFAIRS	**& SPORTS**	**721.00**	**717.63**	**100%**	**374.00**	**170.20**	**46%**
105	Ministry of Youth Affairs and Sports	721.00	717.63	100%	374.00	170.20	46%
MINISTRY OF RAILWAYS							
	Ministry of Railways						
	Gross	97721.55	50842.41	52%	90626.22	47622.48	53%
	Less : Receipts	97721.55	44402.78	45%	90626.22	39824.78	44%
	Reserve fund	0.00	6439.63		0.00	7797.70	
	Net	0.00	0.00		0.00	0.00	
	Exp. From Contingency Fund		179.53			30.89	
	GRAND TOTAL	**735657.25**	**368270.33**	**50%**	**695688.68**	**322070.11**	**46%**

Annex continued

10. RESOURCES TRANSFERRED TO STATE & UT GOVERNMENTS

(₹ in crore)

GRANT NO.	MINISTRY/ DEPARTMENT	2010-2011 BE	2010-2011 ACTUALS UPTO 09/2010	2010-2011 %age	2009-2010 BE	2009-2010 ACTUALS UPTO 09/2009	2009-2010 %age
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	**States' share of Taxes & Duties**	**208997**	**89778**	**43%**	**164361**	**72135**	**44%**
2	**Non-plan Grants & Loans**	**46090**	**23908**	**52%**	**48659**	**17600**	**36%**
	Grants	46001	23875	52%	48570	17563	36%
	Loans	89	33	37%	89	37	42%
	Ways and Means Advances (Net)	-	0	-	-	0	-
3	**Central Assistance for State & UT Plans**	**88808**	**38775**	**44%**	**81256**	**27002**	**33%**
	Grants	81645	33585	41%	75631	24572	32%
	Loans	7163	5190	72%	5625	2430	43%
4	**Assistance for Central & Centrally sponsored Schemes**	**29003**	**18276**	**63%**	**22136**	**13185**	**60%**
	Grants	29003	18276	63%	22136	13185	60%
	Loans						
5	**Total Grants & Loans (2+3+4)**	**163901**	**80959**	**49%**	**152051**	**57787**	**38%**
	Grants	156649	75736	48%	146337	55320	38%
	Loans	7252	5223	72%	5714	2467	43%
6	***Less : Recovery of Loans & Advances***	**3924**	**3291**	**84%**	**2661**	**1730**	**65%**
7	**Net Resources transferred to State & UT Governments(1+5-6)**	**368974**	**167446**	**45%**	**313751**	**128192**	**41%**
	(i) Of Which State Govts.	366196	166288	45%	309612	126898	41%
	(ii) Of Which UT. Govts.	2778	1158	42%	4139	1294	31%